

Northwest Local School District

Scioto County

Single Audit

July 1 , 2000 Through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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Members of the Board  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

We have reviewed the Independent Auditor's Report of the Northwest Local School District, Scioto County, prepared by Balestra & Company, for the audit period July 1, 2000 to 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

December 31, 2001

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**NORTHWEST LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

***TABLE OF CONTENTS***

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups .....	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund .....	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund .....	8
Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance - Proprietary Fund Type and Nonexpendable Trust Fund .....	10
Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Nonexpendable Trust Fund .....	11
Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund .....	12
Notes to the General-Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	36
Notes to Schedule of Federal Awards Expenditures .....	37
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i> .....	38
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	39
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505 .....	41

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# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Members of the Board

Northwest Local School District

800 Mohawk Drive

McDermott, Ohio 45652

We have audited the accompanying general-purpose financial statements of the Northwest Local School District (the School District), Scioto County, as of and for the year ended June 30, 2001, as listed in the table of contents. 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 financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Local School District, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 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.

The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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.

As described in Note 20 to the general-purpose financial statements, the School District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

*Balestra & Company*

Balestra & Company

November 16, 2001

**NORTHWEST LOCAL SCHOOL DISTRICT**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,888,065	\$438,120	\$397,212	\$38,435
Receivables:				
Taxes	1,227,278	30,480	277,997	0
Accounts	511	1,089	0	0
Intergovernmental	0	307,239	0	42,000
Interfund Receivable	16,562	0	0	0
Due from Other Funds	12,481	0	0	0
Prepaid Items	2,932	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	61,852	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	87,229	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$3,296,910</b>	<b>\$776,928</b>	<b>\$675,209</b>	<b>\$80,435</b>

See Accompanying Notes to the General-Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$1,875	\$47,209	\$0	\$0	\$2,810,916
0	0	0	0	1,535,755
24	0	0	0	1,624
0	0	0	0	349,239
0	0	0	0	16,562
0	0	0	0	12,481
0	0	0	0	2,932
10,193	0	0	0	10,193
1,090	0	0	0	62,942
0	0	0	0	87,229
178,878	0	16,766,775	0	16,945,653
0	0	0	414,183	414,183
0	0	0	2,937,644	2,937,644
<u>\$192,060</u>	<u>\$47,209</u>	<u>\$16,766,775</u>	<u>\$3,351,827</u>	<u>\$25,187,353</u>

(continued)

**NORTHWEST LOCAL SCHOOL DISTRICT**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

(continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$90,074	\$17,805	\$0	\$14,080
Accrued Wages and Benefits	1,007,046	270,095	0	0
Compensated Absences Payable	14,294	0	0	0
Interfund Payable	0	16,562	0	0
Due to Other Funds	0	12,481	0	0
Intergovernmental Payable	176,847	50,949	0	32,269
Deferred Revenue	1,153,453	141,430	261,026	0
Undistributed Monies	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>2,441,714</b>	<b>509,322</b>	<b>261,026</b>	<b>46,349</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	165,661	60,963	0	8,855
Reserved for Inventory	61,852	0	0	0
Reserved for Property Taxes	73,825	1,845	16,971	0
Reserved for Nonexpendable Trust	0	0	0	0
Reserved for Budget Stabilization	87,229	0	0	0
Unreserved:				
Undesignated	466,629	204,798	397,212	25,231
<b>Total Fund Equity and Other Credits</b>	<b>855,196</b>	<b>267,606</b>	<b>414,183</b>	<b>34,086</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,296,910</b>	<b>\$776,928</b>	<b>\$675,209</b>	<b>\$80,435</b>

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$121,959
58,332	0	0	0	1,335,473
11,317	0	0	586,624	612,235
0	0	0	0	16,562
0	0	0	0	12,481
15,615	0	0	69,285	344,965
6,771	0	0	0	1,562,680
0	24,160	0	0	24,160
0	0	0	262,256	262,256
0	0	0	2,433,662	2,433,662
<u>92,035</u>	<u>24,160</u>	<u>0</u>	<u>3,351,827</u>	<u>6,726,433</u>
0	0	16,766,775	0	16,766,775
100,025	0	0	0	100,025
0	0	0	0	235,479
0	0	0	0	61,852
0	0	0	0	92,641
0	12,000	0	0	12,000
0	0	0	0	87,229
0	11,049	0	0	1,104,919
<u>100,025</u>	<u>23,049</u>	<u>16,766,775</u>	<u>0</u>	<u>18,460,920</u>
<u>\$192,060</u>	<u>\$47,209</u>	<u>\$16,766,775</u>	<u>\$3,351,827</u>	<u>\$25,187,353</u>

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**NORTHWEST LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,097,435	\$27,363	\$251,740	\$0	\$0	\$1,376,538
Intergovernmental	8,069,141	2,207,316	35,775	218,459	0	10,530,691
Interest	189,757	0	0	0	574	190,331
Tuition and Fees	29,470	75	0	0	0	29,545
Rent	26,931	0	0	0	0	26,931
Extracurricular Activities	0	156,308	0	0	0	156,308
Gifts and Donations	0	433	0	0	1,085	1,518
Customer Services	210,857	0	0	0	0	210,857
Miscellaneous	61,639	250	0	0	0	61,889
<b>Total Revenues</b>	<b>9,685,230</b>	<b>2,391,745</b>	<b>287,515</b>	<b>218,459</b>	<b>1,659</b>	<b>12,584,608</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	4,235,006	1,032,804	0	119,868	0	5,387,678
Special	768,735	839,302	0	0	0	1,608,037
Vocational	91,218	0	0	0	0	91,218
Adult/Continuing	0	116,284	0	0	0	116,284
Other	124,764	0	0	0	1,750	126,514
Support Services:						
Pupils	369,491	103,199	0	0	0	472,690
Instructional Staff	405,624	150,972	0	26,500	0	583,096
Board of Education	35,251	0	0	0	0	35,251
Administration	728,092	74,582	0	0	0	802,674
Fiscal	209,501	14,635	7,037	0	0	231,173
Operation and Maintenance of Plant	1,273,536	64,038	0	0	0	1,337,574
Pupil Transportation	1,107,015	0	0	0	0	1,107,015
Central	55,545	2,500	0	0	0	58,045
Operation of Non-Instructional Services	56,289	501	0	0	0	56,790
Extracurricular Activities	164,452	146,828	0	0	0	311,280
Capital Outlay	271,024	0	0	0	0	271,024
Intergovernmental	0	35,000	0	0	0	35,000
Debt Service:						
Principal Retirement	64,634	0	155,000	0	0	219,634
Interest and Fiscal Charges	19,345	0	69,475	0	0	88,820
<b>Total Expenditures</b>	<b>9,979,522</b>	<b>2,580,645</b>	<b>231,512</b>	<b>146,368</b>	<b>1,750</b>	<b>12,939,797</b>
Excess of Revenues Over (Under) Expenditures	(294,292)	(188,900)	56,003	72,091	(91)	(355,189)
<b><u>Other Financing Sources (Uses):</u></b>						
Proceed from Sale of Fixed Assets	20,421	0	0	0	0	20,421
Operating Transfers - In	0	48,875	0	0	0	48,875
Operating Transfers - Out	(48,875)	0	0	0	0	(48,875)
<b>Total Other Financing Sources (Uses)</b>	<b>(28,454)</b>	<b>48,875</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,421</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(322,746)	(140,025)	56,003	72,091	(91)	(334,768)
Fund Balances (Deficit) at Beginning of Year - Restated (Note 20)	1,179,877	407,631	358,180	(38,005)	10,334	1,918,017
Decrease in Reserve for Inventory	(1,935)	0	0	0	0	(1,935)
<b>Fund Balances at End of Year</b>	<b>\$855,196</b>	<b>\$267,606</b>	<b>\$414,183</b>	<b>\$34,086</b>	<b>\$10,243</b>	<b>\$1,581,314</b>

See Accompanying Notes to the General-Purpose Financial Statements

**NORTHWEST LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2001

	<i>General Fund</i>			<i>Special Revenue Funds</i>			<i>Debt Service Fund</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>									
Property Taxes	\$1,096,246	\$1,096,246	\$0	\$27,334	\$27,334	\$0	\$251,474	\$251,474	\$0
Intergovernmental	8,092,633	8,092,633	0	2,545,014	2,201,936	(343,078)	35,775	35,775	0
Interest	191,947	189,757	(2,190)	0	0	0	0	0	0
Tuition and Fees	29,519	29,519	0	75	75	0	0	0	0
Rent	26,941	26,941	0	0	0	0	0	0	0
Extracurricular Activities	0	0	0	155,943	155,943	0	0	0	0
Gifts and Donations	0	0	0	433	433	0	0	0	0
Customer Services	210,412	210,412	0	0	0	0	0	0	0
Miscellaneous	469	469	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>9,648,167</b>	<b>9,645,977</b>	<b>(2,190)</b>	<b>2,728,799</b>	<b>2,385,721</b>	<b>(343,078)</b>	<b>287,249</b>	<b>287,249</b>	<b>0</b>
<b><u>Expenditures:</u></b>									
<b>Current:</b>									
<b>Instruction:</b>									
Regular	4,294,985	4,294,985	0	1,059,964	1,059,964	0	0	0	0
Special	777,439	777,439	0	877,194	877,194	0	0	0	0
Vocational	92,259	92,259	0	0	0	0	0	0	0
Adult/Continuing	0	0	0	145,137	145,137	0	0	0	0
Other	124,729	124,729	0	0	0	0	0	0	0
<b>Support Services:</b>									
Pupils	418,253	418,253	0	123,464	123,464	0	0	0	0
Instructional Staff	403,911	403,911	0	146,791	146,791	0	0	0	0
Board of Education	38,250	38,250	0	0	0	0	0	0	0
Administration	860,215	860,215	0	72,825	72,825	0	0	0	0
Fiscal	211,411	211,411	0	14,635	14,635	0	7,037	7,037	0
Operation and Maintenance of Plant	1,350,655	1,350,655	0	63,336	63,336	0	0	0	0
Pupil Transportation	1,156,398	1,156,398	0	0	0	0	0	0	0
Central	57,938	57,938	0	2,500	2,500	0	0	0	0
<b>Operation of Non-Instructional Services</b>									
Services	37,098	37,098	0	501	501	0	0	0	0
Extracurricular Activities	168,187	168,187	0	154,395	154,395	0	0	0	0
Capital Outlay	398,018	398,018	0	0	0	0	0	0	0
<b>Debt Service:</b>									
Principal Retirement	0	0	0	0	0	0	155,000	155,000	0
Interest and Fiscal Charges	0	0	0	0	0	0	69,475	69,475	0
<b>Total Expenditures</b>	<b>10,389,746</b>	<b>10,389,746</b>	<b>0</b>	<b>2,660,742</b>	<b>2,660,742</b>	<b>0</b>	<b>231,512</b>	<b>231,512</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(741,579)	(743,769)	(2,190)	68,057	(275,021)	(343,078)	55,737	55,737	0
<b><u>Other Financing Sources (Uses):</u></b>									
Proceeds from Sale of Fixed Assets	20,421	20,421	0	0	0	0	0	0	0
Refund of Prior Year Expenditures	61,170	61,170	0	250	250	0	0	0	0
Advances - In	125,597	125,597	0	0	0	0	0	0	0
Advances - Out	0	0	0	0	0	0	0	0	0
Operating Transfers - In	0	0	0	48,875	48,875	0	0	0	0
Operating Transfers - Out	(48,875)	(48,875)	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>158,313</b>	<b>158,313</b>	<b>0</b>	<b>49,125</b>	<b>49,125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(583,266)	(585,456)	(2,190)	117,182	(225,896)	(343,078)	55,737	55,737	0
Fund Balances at Beginning of Year	1,708,840	1,708,840	0	447,661	447,661	0	341,475	341,475	0
Prior Year Encumbrances Appropriated	614,984	614,984	0	121,818	121,818	0	0	0	0
<b>Fund Balances at End of Year</b>	<b>\$1,740,558</b>	<b>\$1,738,368</b>	<b>(\$2,190)</b>	<b>\$686,661</b>	<b>\$343,583</b>	<b>(\$343,078)</b>	<b>\$397,212</b>	<b>\$397,212</b>	<b>\$0</b>

See Accompanying Notes to the General-Purpose Financial Statements

<i>Capital Projects Funds</i>			<i>Expendable Trust Fund</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$1,375,054	\$1,375,054	0
176,459	176,459	0	0	0	0	10,849,881	10,506,803	(343,078)
0	0	0	578	574	(4)	192,525	190,331	(2,194)
0	0	0	0	0	0	29,594	29,594	0
0	0	0	0	0	0	26,941	26,941	0
0	0	0	0	0	0	155,943	155,943	0
0	0	0	1,085	1,085	0	1,518	1,518	0
0	0	0	0	0	0	210,412	210,412	0
0	0	0	0	0	0	469	469	0
<u>176,459</u>	<u>176,459</u>	<u>0</u>	<u>1,663</u>	<u>1,659</u>	<u>(4)</u>	<u>12,842,337</u>	<u>12,497,065</u>	<u>(345,272)</u>
96,454	96,454	0	0	0	0	5,451,403	5,451,403	0
0	0	0	0	0	0	1,654,633	1,654,633	0
0	0	0	0	0	0	92,259	92,259	0
0	0	0	0	0	0	145,137	145,137	0
0	0	0	1,750	1,750	0	126,479	126,479	0
0	0	0	0	0	0	541,717	541,717	0
26,500	26,500	0	0	0	0	577,202	577,202	0
0	0	0	0	0	0	38,250	38,250	0
0	0	0	0	0	0	933,040	933,040	0
0	0	0	0	0	0	233,083	233,083	0
0	0	0	0	0	0	1,413,991	1,413,991	0
0	0	0	0	0	0	1,156,398	1,156,398	0
0	0	0	0	0	0	60,438	60,438	0
0	0	0	0	0	0	37,599	37,599	0
0	0	0	0	0	0	322,582	322,582	0
0	0	0	0	0	0	398,018	398,018	0
0	0	0	0	0	0	155,000	155,000	0
0	0	0	0	0	0	69,475	69,475	0
<u>122,954</u>	<u>122,954</u>	<u>0</u>	<u>1,750</u>	<u>1,750</u>	<u>0</u>	<u>13,406,704</u>	<u>13,406,704</u>	<u>0</u>
53,505	53,505	0	(87)	(91)	(4)	(564,367)	(909,639)	(345,272)
0	0	0	0	0	0	20,421	20,421	0
0	0	0	0	0	0	61,420	61,420	0
0	0	0	0	0	0	125,597	125,597	0
(125,597)	(125,597)	0	0	0	0	(125,597)	(125,597)	0
0	0	0	0	0	0	48,875	48,875	0
0	0	0	0	0	0	(48,875)	(48,875)	0
<u>(125,597)</u>	<u>(125,597)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,841</u>	<u>81,841</u>	<u>0</u>
(72,092)	(72,092)	0	(87)	(91)	(4)	(482,526)	(827,798)	(345,272)
66,048	66,048	0	10,334	10,334	0	2,574,358	2,574,358	0
21,544	21,544	0	0	0	0	758,346	758,346	0
<u>\$15,500</u>	<u>\$15,500</u>	<u>\$0</u>	<u>\$10,247</u>	<u>\$10,243</u>	<u>(\$4)</u>	<u>\$2,850,178</u>	<u>\$2,504,906</u>	<u>(\$345,272)</u>

***NORTHWEST LOCAL SCHOOL DISTRICT***  
Statement of Revenues,  
Expenses and Changes in Retained Earnings / Fund Balance  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	Enterprise	Nonexpendable Trust	
<b><u>Operating Revenues:</u></b>			
Sales	\$199,742	\$0	\$199,742
Interest	0	806	806
Total Operating Revenues	<u>199,742</u>	<u>806</u>	<u>200,548</u>
<b><u>Operating Expenses:</u></b>			
Salaries	210,611	0	210,611
Fringe Benefits	147,927	0	147,927
Purchased Services	5,751	0	5,751
Materials and Supplies	40	0	40
Cost of Sales	195,921	0	195,921
Depreciation	16,242	0	16,242
Other	16,453	660	17,113
Total Operating Expenses	<u>592,945</u>	<u>660</u>	<u>593,605</u>
Operating Income (Loss)	<u>(393,203)</u>	<u>146</u>	<u>(393,057)</u>
<b><u>Non-Operating Revenues:</u></b>			
Federal Donated Commodities	38,867	0	38,867
Federal and State Subsidies	315,628	0	315,628
Interest	1,090	0	1,090
Total Non-Operating Revenues	<u>355,585</u>	<u>0</u>	<u>355,585</u>
Net Income (Loss)	<u>(37,618)</u>	<u>146</u>	<u>(37,472)</u>
Retained Earnings / Fund Balance at Beginning of Year	<u>137,643</u>	<u>12,660</u>	<u>150,303</u>
Retained Earnings / Fund Balance at End of Year	<u><u>\$100,025</u></u>	<u><u>\$12,806</u></u>	<u><u>\$112,831</u></u>

See Accompanying Notes to the General-Purpose Financial Statements



**NORTHWEST LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>			<u>Nonexpendable Trust</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$199,718	\$199,718	\$0	\$0	\$0	\$0
Interest	1,090	1,090	0	806	806	0
Federal and State Subsidies	315,628	315,628	0	0	0	0
Total Revenues	<u>516,436</u>	<u>516,436</u>	<u>0</u>	<u>806</u>	<u>806</u>	<u>0</u>
<b><u>Expenses:</u></b>						
Salaries	206,100	206,100	0	0	0	0
Fringe Benefits	145,887	145,887	0	0	0	0
Purchased Services	5,751	5,751	0	0	0	0
Materials and Supplies	159,603	159,603	0	0	0	0
Other	16,453	16,453	0	660	660	0
Total Expenses	<u>533,794</u>	<u>533,794</u>	<u>0</u>	<u>660</u>	<u>660</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses	(17,358)	(17,358)	0	146	146	0
Fund Equity at Beginning of Year	16,490	16,490	0	12,660	12,660	0
Prior Year Encumbrances Appropriated	868	868	0	0	0	0
Fund Equity at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,806</u>	<u>\$12,806</u>	<u>\$0</u>

See Accompanying Notes to the General-Purpose Financial Statements

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2001

	Enterprise	Nonexpendable Trust	Totals (Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$199,718	\$0	\$199,718
Cash Payments to Suppliers for Goods and Services	(163,479)	0	(163,479)
Cash Payments to Employees for Services	(206,100)	0	(206,100)
Cash Payments for Employee Benefits	(145,887)	0	(145,887)
Cash Payments for Other Operating Expenses	(16,453)	(660)	(17,113)
Net Cash Used for Operating Activities	(332,201)	(660)	(332,861)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Federal and State Subsidies	315,628	0	315,628
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	1,090	806	1,896
Net Increase (Decrease) in Cash and Cash Equivalents	(15,483)	146	(15,337)
Cash and Cash Equivalents at Beginning of Year	17,358	12,660	30,018
Cash and Cash Equivalents at End of Year	<u>\$1,875</u>	<u>\$12,806</u>	<u>\$14,681</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u></b>			
Operating Income (Loss)	(\$393,203)	\$146	(\$393,057)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:</u></b>			
Depreciation	16,242	0	16,242
Donated Commodities Used During Year	38,867	0	38,867
Adjustment for Interest	0	(806)	(806)
Changes in Assets and Liabilities:			
Increase in Accounts Receivables	(24)	0	(24)
Increase in Materials and Supplies Inventory	(91)	0	(91)
Increase in Inventory Held for Resale	(542)	0	(542)
Increase in Accrued Wages and Benefits Payable	5,726	0	5,726
Increase in Intergovernmental Payable	159	0	159
Increase in Compensated Absences Payable	665	0	665
Total Adjustments	61,002	(806)	60,196
Net Cash Used for Operating Activities	<u>(\$332,201)</u>	<u>(\$660)</u>	<u>(\$332,861)</u>
<b><u>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet</u></b>			
Cash and Cash Equivalents - All Fiduciary Funds		\$47,209	
Cash and Cash Equivalents - Agency Funds		(24,160)	
Cash and Cash Equivalents - Expendable Trust Fund		<u>(10,243)</u>	
Cash and Cash Equivalents - Nonexpendable Trust Funds		<u>\$12,806</u>	

See Accompanying Notes to the General-Purpose Financial Statements

**NORTHWEST LOCAL SCHOOL DISTRICT**

Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 156 square miles. It is located in Scioto County, and includes all of the Village of Rarden and Otway and portions of Brush, Rush, Union, Morgan, and Rarden Townships. It is staffed by 60 non-certificated employees, 117 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,784 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

*Reporting Entity:*

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- < Parent Teacher Organizations
- < Booster Associations
- < Alumni Associations

The School District participates in three organizations, two of which are defined as jointly governed organizations, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, and the Scioto County Schools Council. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Northwest Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary and nonexpendable trust activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

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

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

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

*Proprietary Fund Type:*

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

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

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**A. Basis Of Presentation - Fund Accounting** (Continued)

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental 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 balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District had no contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**B. Measurement Focus and Basis of Accounting** (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, accounts, and grants.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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 revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

*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 Scioto County Budget Commission for rate determination.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**C. Budgetary Process** (Continued)

*Estimated Resources:*

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

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals passed by the Board.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed by the Board as a management control device during the year at the fund level for all funds other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

*Encumbrances:*

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

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2001, the School District invested funds in repurchase agreements, non-negotiable certificates of deposits, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$189,757, which includes \$51,108 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Interfund Assets/Liabilities**

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From Other Funds" or "Due To Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

**H. Fixed Assets and Depreciation**

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



**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**H. Fixed Assets and Depreciation** (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of fifty years for buildings, twenty to twenty-five years for building improvements, six to eight years for vehicles, and ten years for textbooks. Depreciation of furniture, fixtures, and equipment in the enterprise funds and the general fixed asset account group is computed using the straight-line method over an estimated useful life of five to twenty years.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for nonexpendable trust represents funds donated to the School District to be used solely to earn interest which is then awarded annually as a scholarship to one student from the School District.

**N. Estimates**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (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 accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2001, the Disadvantaged Pupil Impact Aid and Drug Free Schools Special Revenue Funds had deficit fund balances of \$114,318 and \$1,769, respectively, all of which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances - In and Advances - Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$322,746)	(\$140,025)	\$56,003	\$72,091	(\$91)
Revenue Accruals	21,917	(5,774)	(266)	(42,000)	0
Expenditure Accruals	(156,736)	(2,122)	0	46,349	0
Advances	125,597	0	0	(125,597)	0
Encumbrances	(253,488)	(77,975)	0	(22,935)	0
Budget Basis	<u>(\$585,456)</u>	<u>(\$225,896)</u>	<u>\$55,737</u>	<u>(\$72,092)</u>	<u>(\$91)</u>

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

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$37,618)	\$146
Revenue Accruals	(24)	0
Expense Accruals	6,550	0
Materials and Supplies Inventory	(91)	0
Inventory Held for Resale	(542)	0
Depreciation	16,242	0
Encumbrances	(1,875)	0
Budget Basis	<u>(\$17,358)</u>	<u>\$146</u>

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$300 in undeposited cash on hand.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was (\$21,166) and the bank balance was \$62,080. The entire bank balance was covered by federal depository insurance.

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

	Category 3	Unclassified	Carrying / Fair Value
Repurchase Agreements	\$349,222	\$0	\$349,222
STAR Ohio	0	2,569,789	2,569,789
Totals	\$349,222	\$2,569,789	\$2,919,011

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities that use Proprietary Fund Accounting*.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$2,898,145	\$0
Cash on Hand	(300)	0
Investments:		
Repurchase Agreements	(349,222)	349,222
STAR Ohio	(2,569,789)	2,569,789
<i>GASB Statement No. 3</i>	(\$21,166)	\$2,919,011

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 6 - PROPERTY TAXES** (Continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,685,170	83.14%	\$50,161,330	83.09%
Public Utility	6,278,750	10.72%	6,108,770	10.12%
Tangible Personal Property	3,596,470	6.14%	4,099,750	6.79%
Total Assessed Value	<u>\$58,560,390</u>	<u>100.00%</u>	<u>\$60,369,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$25.31		\$25.31	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$73,825 in the General Fund, \$1,845 in the Classroom Facilities Special Revenue Fund, and \$16,971 in the Bond Retirement Debt Service Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 7 - RECEIVABLES** (Continued)

	Amounts
Special Revenue Funds:	
Department of Human Services - Family Literacy	\$14,124
Adult Basic Literacy Education	41,244
Dwight D. Eisenhower	3,044
Title VI - B	11,236
Title I	141,763
Even Start	41,778
Title VI	11,297
Drug Free Schools	371
Title VI - R	39,882
School-to-Work	2,500
Total Special Revenue Funds	307,239
Capital Projects Fund:	
Interactive Video Distance Learning	42,000
Total Intergovernmental Receivables	\$349,239

**NOTE 8 - FIXED ASSETS**

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

Furniture and Equipment	\$341,270
Less Accumulated Depreciation	(162,392)
Net Fixed Assets	\$178,878



**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 8 - FIXED ASSETS** (Continued)

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

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$334,063	\$6,828	\$0	\$340,891
Buildings and Improvements	19,237,144	423,800	0	19,660,944
Furniture, Fixtures and Equipment	4,193,593	252,812	149,690	4,296,715
Vehicles	1,701,457	274,628	157,419	1,818,666
Books	865,262	0	0	865,262
Construction in Progress	433,395	0	433,395	0
<b>Totals</b>	<b>\$26,764,914</b>	<b>\$958,068</b>	<b>\$740,504</b>	<b>26,982,478</b>
Accumulated Depreciation				(10,215,703)
<b>Total General Fixed Assets</b>				<b>\$16,766,775</b>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Portsmouth Insurance for property and fleet insurance and inland marine coverage. The School District contracted with Nationwide Insurance for liability insurance. Coverage is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$38,083,301
Inland Marine Coverage (\$1,000 deductible)	10,000
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	5,000
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (\$250-\$500 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no reduction in coverage from last year.

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 17), offering employee medical and dental insurance to participating school districts within the county. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon a school district's termination from the Council, the Council shall have no obligation to the school district beyond paying claims incurred prior to termination and any applicable extended benefits that were provided under the plan. All claims and expenses shall be paid from the funds of the Council.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$52,658, \$61,182, and \$88,771, respectively; 45 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$28,728 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$545,556, \$315,820, and \$263,401, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$87,994 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$258,421 for fiscal year 2001.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$137,447.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all certified employees, 220 days for all classified employees, and the length of the contract for all administrators. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit for certified employees and administrators. The maximum payment is 50 days for certified employees and up to 50 days for administrators. For classified employees, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 49 days.

**B. Life Insurance**

The School District provides life insurance to employees through CoreSource.

**C. Early Retirement Incentive**

The School District Board of Education approved an Early Retirement Incentive program. The enrollment period for employees was from May 1-15, 2001 for retirement effective July 1, 2001. Participation was open to employees who became eligible for retirement and retired during the 2000-01 school year. A super severance of \$10,000 will be awarded to Northwest Local Education Association members who have obtained 30 years of combined State service. Two individuals participated in this incentive for fiscal year 2001. The total liability for fiscal year 2001 was \$20,000, which was completely paid before fiscal year end.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 12 - EMPLOYEE BENEFITS** (Continued)

**D. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$357,669. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$64,634 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTDAG
2002	\$83,979
2003	83,979
2004	83,979
2005	41,987
Total Minimum Lease Payments	293,924
Less: Amount Representing Interest	(31,668)
Present Value of Minimum Lease Payments	\$262,256

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
1999 School Facilities General Obligations Refunding Bond - 4.50%	\$2,505,772	\$82,890	\$155,000	\$2,433,662
Capital Leases	326,890	0	64,634	262,256
Pension Obligation	74,126	69,285	74,126	69,285
Compensated Absences	624,971	0	38,347	586,624
Total General Long-Term Obligations	\$3,531,759	\$152,175	\$332,107	\$3,351,827

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

*Advance Refunding* - On April 15, 1999, the School District issued \$2,519,992 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,520,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term obligations account group. At June 30, 2001, \$2,375,000 of bonds outstanding are considered defeased by assets of \$2,466,159.

\$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% - 4.30%. \$529,992 were issued as capital appreciation bonds. The bonds were issued with a \$358,114 premium. The serial bonds and capital appreciation bonds are not subject to mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2010 and 2015. The maturity amount of the bonds is \$1,640,000. For fiscal year 2001, \$82,890 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,433,662 at fiscal year end. The bond value at final maturity will be \$3,295,000.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,413,808 with an unvoted debt margin of \$60,370 at June 30, 2001.

Principal and interest requirements to retire general obligation bonds at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2002	\$165,000	\$0	\$63,751	\$228,751
2003	180,000	0	57,365	237,365
2004	190,000	0	50,285	240,285
2005	200,000	0	42,580	242,580
2006	210,000	0	34,327	244,327
2007-2011	710,000	535,000	388,087	1,633,087
2012-2015	0	1,105,000	768,447	1,873,447
Total	<u>\$1,655,000</u>	<u>\$1,640,000</u>	<u>\$1,404,842</u>	<u>\$4,699,842</u>

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivables	Interfund Payables	Due from Other Funds	Due to Other Funds
General Fund	\$16,562	\$0	\$12,481	\$0
Special Revenue Funds:				
Adult Basic Literacy Education	0	0	0	2,072
Title I	0	0	0	10,409
Drug Free Grant	0	371	0	0
Goals 2000	0	16,191	0	0
Total Special Revenue Funds	0	16,562	0	12,481
Total All Funds	\$16,562	\$16,562	\$12,481	\$12,481

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, and one representative from the fiscal agent. The School District paid SCOCA \$6,658 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

**NOTE 17 - PUBLIC ENTITY SHARED RISK POOL**

*Scioto County Schools Council* - The School District is a member of the Scioto County Schools Council, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund.

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 17 - PUBLIC ENTITY SHARED RISK POOL** (Continued)

The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. The requirement for the establishment of a Budget Stabilization Reserve set-aside has been eliminated by Senate Bill 345. A School District may still establish reserve balance accounts consistent with Section 5705.13 R.C., if it so chooses; however, the requirement is no longer mandatory. According to Senate Bill 345, any money on hand in a school district's budget reserve set aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future fiscal years. The statute also authorized the school district to use all or part of the funds formerly included in the budget reserve for the purpose of providing the district's portion of the basic project costs of any project undertaken in accordance with Chapter 3318, R.C., Classroom Facilities.

Senate Bill 345 places special conditions on any Bureau of Workers' Compensation (BWC) monies remaining in the budget reserve set aside as of April 10, 2001. Any portion of the budget reserve set-aside consisting of refunds or rebates from BWC that were previously required by law to be deposited into the budget reserve may be used solely for the following purposes:

- , To offset a budget deficit
- , For school facility construction, renovation or repair;
- , For textbooks or instructional materials, including science equipment or laboratories;
- , For the purchase of school buses; or
- , For professional development of teachers.

BWC refunds or rebates received after April 10, 2001 are not required to be deposited into the school district's budget reserve.

The School District has elected to establish the Budget Stabilization Reserve in accordance with Senate Bill 345 and 5705.13 R.C for the BWC refund or rebate amounts received prior to April 10, 2001. The School District elected to eliminate the remainder of the budget reserve into the General Fund.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$220,740
Current year set-aside requirement	193,175	193,175	57,787
Reduction in Requirement based on Statutory Revisions	0	0	(191,298)
Qualifying disbursements	(193,175)	(193,175)	0
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$87,229</u>
Set-aside Cash Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$87,229</u>

**NORTHWEST LOCAL SCHOOL DISTRICT**  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

Amounts of qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for textbooks and capital acquisitions during the year, and this extra amount may be used to reduce the set-aside requirements of future years, the School District has decided to not carry over such negative balances to the next year.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

The School District is not party to any legal proceedings.

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2001, the School 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 Revenues* (an amendment of GASB Statement No. 33). The implementation of GASB Statements No. 33 and 36 had the following effect on the prior year's ending fund balances:

Special Revenue Funds:	
Fund Balance at June 30, 2000	\$340,131
GASB 33 Restatement	67,500
Fund Balance at June 30, 2000	\$407,631

**NOTE 21 - SUBSEQUENT EVENT**

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.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 28, 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.



***NORTHWEST LOCAL SCHOOL DISTRICT***  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 21 - SUBSEQUENT EVENT** (Continued)

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine 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  
Scioto County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$40,202	\$0	\$38,867
National School Breakfast Program	05-PU	10.553	62,451	0	62,451	0
National School Lunch Program	LL-P4	10.555	232,521	0	232,521	0
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			294,972	40,202	294,972	38,867
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Title VI-B	6B-SF	84.027	111,384	0	104,094	0
<b>Total Special Education Cluster</b>			111,384	0	104,094	0
<i>Passed through Ohio Scioto County JVS</i>						
21st Century Grant	NA	84.287	11,262	0	11,262	0
<i>Passed through Ohio Department of Education</i>						
Adult and Community Education	AB-S1	84.002	44,831	0	44,831	0
Title I	C1-S1	84.010	675,055	0	651,267	0
Drug Free Education	DR-S1	84.186	9,804	0	12,188	0
Even Start Family Literacy	EV-S4	84.213	81,176	0	126,210	0
Goals 2000	G2-S2	84.276	27,000	0	18,480	0
Eisenhower Professional Development	MS-S1	84.281	22,792	0	14,101	0
Inovative Education Program Strategy	C2-S1	84.298	4,445	0	0	0
Tech Literacy Challenge	TF-32	84.318	0	0	65,595	0
Class Size Reduction	CR-S1	84.340	68,286	0	96,058	0
<b>Total United States Department of Education</b>			1,056,035	0	1,144,086	0
<b>United States Department of Labor</b>						
<i>Passed through Ohio Scioto County JVS</i>						
School To Work Grant	NA	17.249	0	0	5,404	0
<i>Passed through Ohio Shawnee State University</i>						
School To Work Grant	NA	17.249	96,480	0	96,227	0
<b>Total United States Department of Labor</b>			96,480	0	101,631	0
<b>Total Federal Financial Assistance</b>			<u>\$1,447,487</u>	<u>\$40,202</u>	<u>\$1,540,689</u>	<u>\$38,867</u>

N/A - not available

See Notes to Schedule of Federal Awards Expenditures

**NORTHWEST LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY, OHIO**

*Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2001*

**NOTE A - - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - - FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of the Board  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

We have audited the general-purpose financial statements of Northwest Local School District, as of and for the year ended June 30, 2001, in which we indicated the District had changed its method of accounting for nonexchange transactions, and have issued our report thereon dated November 16, 2001. 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.

### Compliance

As part of obtaining reasonable assurance about whether Northwest Local School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

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

*Balestra & Company*

Balestra & Company

November 16, 2001

# BALESTRA & COMPANY

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## **Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Board  
Northwest Local School District  
800 Mohawk Drive  
McDermott, Ohio 45652

### 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 its major federal program for the year ended June 30, 2001. Northwest Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 of 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 its major federal program 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 the 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 OMB Circular A-133.

Members of the Board  
Northwest Local School District  
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133  
Page 2

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 audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra & Company*  
Balestra & Company

November 16, 2001

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

NORTHWEST LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY, OHIO  
JUNE 30, 2001

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

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

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

NORTHWEST LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY  
JUNE 30, 2001

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NORTHWEST LOCAL SCHOOL DISTRICT**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2002**