



***NORTHWEST
LOCAL SCHOOL DISTRICT***

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2010

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



Northwest Local School District
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For the Fiscal Year Ended June 30, 2010

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Independent Auditor's Report

Board of Education
Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45690

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position, and the budgetary comparison for the General 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 a report dated December 21, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. 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 when considering the results of our audit.

Board of Education
Northwest Local School District
Independent Auditor's Report

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively compromise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 21, 2010

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northwest Local School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2010 by \$24,173,990.
- The School District's net assets of governmental activities decreased \$1,384,838.
- General revenues accounted for \$13,679,532 or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$4,352,866 or 24 percent of total revenues of \$18,032,398.
- The School District had \$19,417,236 in expenses related to governmental activities; \$4,352,866 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net assets and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the statement of net assets and the statement of activities. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes to those assets. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

In the statement of net assets and the statement of activities, the School District has only one kind of activity.

- **Governmental Activities.** Most of the School District's programs and services are reported here including instruction and support services.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major funds are the General Fund and the Bond Retirement Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's Student Managed Activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's Scholarship Funds.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1
Net Assets

| | 2010 | 2009 |
|---|---------------|---------------|
| Assets: | | |
| Current and Other Assets | \$ 6,369,195 | \$ 7,019,852 |
| Capital Assets, Net | 26,328,286 | 27,320,317 |
| Total Assets | 32,697,481 | 34,340,169 |
| Liabilities: | | |
| Current and Other Liabilities | 4,097,192 | 3,956,149 |
| Long-Term Liabilities | 4,426,299 | 4,825,192 |
| Total Liabilities | 8,523,491 | 8,781,341 |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 23,877,737 | 24,580,325 |
| Restricted | 1,718,962 | 1,738,447 |
| Unrestricted (Deficit) | (1,422,709) | (759,944) |
| Total Net Assets | \$ 24,173,990 | \$ 25,558,828 |

Total net assets of the School District as a whole decreased \$1,384,838. Current and other assets decreased \$650,657 due mainly to a decrease in cash balances as a result of increased expenditures. This decrease was partially offset by an increase in intergovernmental receivable. Capital assets decreased \$992,031 which was due to current year depreciation exceeding current year additions. Current and other liabilities increased by \$141,043 due mainly to an increase in accrued wages and benefits which was partially offset by a decrease in intergovernmental payable. Long-term liabilities decreased \$398,893 due mainly to principal payments.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2
Change in Net Assets

| | 2010 | 2009 |
|--|-----------------|-----------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$ 406,848 | \$ 417,355 |
| Operating Grants and Contributions | 3,946,018 | 4,264,535 |
| Total Program Revenues | 4,352,866 | 4,681,890 |
| General Revenues: | | |
| Taxes Levied for: | | |
| General Purposes | 1,608,464 | 1,687,357 |
| Debt Service | 328,620 | 345,154 |
| Capital Maintenance | 30,711 | 32,368 |
| Grants and Entitlements, Not Restricted to Specific Programs | 11,707,277 | 10,733,939 |
| Gain on Sale of Capital Assets | 1,166 | - |
| Investment Earnings | 1,860 | 29,165 |
| Miscellaneous | 1,434 | 39,496 |
| Total General Revenues | 13,679,532 | 12,867,479 |
| Total Revenues | 18,032,398 | 17,549,369 |
| Program Expenses: | | |
| Instruction: | | |
| Regular | 8,663,112 | 8,484,765 |
| Special | 1,561,659 | 1,497,895 |
| Vocational | 84,086 | 80,776 |
| Adult/Continuing | - | 5,252 |
| Other | 516,268 | 490,165 |
| Support Services: | | |
| Pupils | 678,723 | 754,033 |
| Instructional Staff | 1,200,543 | 1,244,932 |
| Board of Education | 89,885 | 35,338 |
| Administration | 1,022,137 | 1,159,090 |
| Fiscal | 325,925 | 314,979 |
| Operation and Maintenance of Plant | 1,950,724 | 1,772,241 |
| Pupil Transportation | 1,860,322 | 1,709,892 |
| Central | 84,624 | 25,360 |
| Operation of Non-Instructional Services | 822,942 | 861,246 |
| Extracurricular Activities | 343,317 | 343,138 |
| Interest and Fiscal Charges | 212,969 | 223,034 |
| Total Expenses | 19,417,236 | 19,002,136 |
| Decrease in Net Assets | (1,384,838) | (1,452,767) |
| Net Assets at Beginning of Year | 25,558,828 | 27,011,595 |
| Net Assets at End of Year | \$ 24,173,990 | \$ 25,558,828 |

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Grant and entitlements not restricted to specific programs increased \$973,338, while operating grants and contributions decreased \$318,517 due mainly to the change in restrictions of the state foundation funding as well as the receipt of stimulus funding. Investment earnings decreased due to the decline in interest rates and the decreased cash on hand with the School District as of June 30, 2010.

Instruction costs increased due mainly to increased costs for salaries and benefits of teachers. Pupil transportation support services increased due mainly to increased fuel and maintenance costs. Operation and Maintenance of Plant increased due to maintenance costs incurred to maintain the School District's buildings.

Governmental Activities

Grants and entitlements, not restricted to specific programs comprised 65 percent of revenue for governmental activities, while operating grants and contributions comprised 22 percent of revenue for governmental activities, and property taxes comprised 11 percent of revenue for governmental activities of the School District for fiscal year 2010.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 45 percent of governmental program expenses while special instruction comprised 8 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
 Total and Net Cost of Program Services

| | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|---------------------|----------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Instruction | \$10,825,125 | \$10,558,853 | \$8,559,237 | \$7,937,907 |
| Support Services | 7,212,883 | 7,015,865 | 6,080,297 | 6,077,602 |
| Operation of Non-Instructional Services | 822,942 | 861,246 | 92,641 | (6,660) |
| Extracurricular Activities | 343,317 | 343,138 | 119,725 | 89,032 |
| Interest and Fiscal Charges | 212,969 | 223,034 | 212,470 | 222,365 |
| Total Expenses | \$19,417,236 | \$19,002,136 | \$15,064,370 | \$14,320,246 |

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,160,213 and expenditures and other financing uses of \$19,985,736. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased in the amount of \$414,841. This decrease was primarily due to increased transfers out to other funds and increased expenditures over the prior year mainly resulting from an increase in salaries and benefits.

The fund balance of the Bond Retirement Fund increased in the amount of \$112,631. This increase was due revenues exceeding expenditures during the year.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2010, there were several revisions to the General Fund budget. In part, these revisions increased appropriations by \$2,260,645 as a result of transfers not originally budgeted and increases to student intervention and increased the estimated receipts by \$293,009. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$2,096,093.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the School District had \$26,328,286 invested in its capital assets. Table 4 shows the fiscal year 2010 balances compared to 2009.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

| | 2010 | 2009 |
|----------------------------|----------------------|----------------------|
| Land | \$ 248,889 | \$ 248,889 |
| Land Improvements | 158,721 | 226,669 |
| Buildings and Improvements | 24,618,352 | 24,923,936 |
| Furniture and Equipment | 740,277 | 1,112,085 |
| Vehicles | 452,081 | 679,955 |
| Textbooks | 109,966 | 128,783 |
| Totals | <u>\$ 26,328,286</u> | <u>\$ 27,320,317</u> |

Changes in capital assets from the prior year resulted from current year additions, deletions and depreciation expense. See Note 7 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2010, the School District had School Facilities General Obligations Refunding Bonds outstanding of \$1,105,216. The bonds were issued for school construction. The School District also had capital lease obligations outstanding of \$2,021,000. See Note 12 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Morrow, Treasurer, Northwest Local School District, 800 Mohawk Drive, McDermott, Ohio 45652.

Northwest Local School District
Statement of Net Assets
June 30, 2010

| | Governmental Activities |
|---|----------------------------|
| ASSETS: | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,679,619 |
| Accounts Receivable | 1,378 |
| Intergovernmental Receivable | 321,868 |
| Taxes Receivable | 2,366,330 |
| Noncurrent Assets: | |
| Nondepreciable Capital Assets | 248,889 |
| Depreciable Capital Assets, net | 26,079,397 |
| <i>Total Assets</i> | 32,697,481 |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 44,009 |
| Accrued Wages and Benefits | 1,859,764 |
| Intergovernmental Payable | 476,985 |
| Deferred Revenue | 1,716,434 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities: | |
| Due Within One Year | 512,329 |
| Due in More Than One Year | 3,913,970 |
| <i>Total Liabilities</i> | 8,523,491 |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 23,877,737 |
| Restricted for Debt Service | 1,202,776 |
| Restricted for Capital Outlay | 1 |
| Restricted for Other Purposes | 428,956 |
| Restricted for Set-Asides | 87,229 |
| Unrestricted (Deficit) | (1,422,709) |
| <i>Total Net Assets</i> | \$ 24,173,990 |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|--------------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 8,663,112 | \$ 28,066 | \$ 1,954,274 | \$ (6,680,772) |
| Special | 1,561,659 | 6,851 | 273,130 | (1,281,678) |
| Vocational | 84,086 | 499 | - | (83,587) |
| Other | 516,268 | 3,068 | - | (513,200) |
| Support Services: | | | | |
| Pupils | 678,723 | 2,959 | 119,149 | (556,615) |
| Instructional Staff | 1,200,543 | 2,151 | 555,251 | (643,141) |
| Board of Education | 89,885 | 534 | - | (89,351) |
| Administration | 1,022,137 | 4,888 | 130,651 | (886,598) |
| Fiscal | 325,925 | 1,692 | 21,283 | (302,950) |
| Operation and Maintenance of Plant | 1,950,724 | 8,654 | 244,188 | (1,697,882) |
| Pupil Transportation | 1,860,322 | 11,208 | 29,475 | (1,819,639) |
| Central | 84,624 | 503 | - | (84,121) |
| Operation of Non-Instructional Services | 822,942 | 186,950 | 543,351 | (92,641) |
| Extracurricular Activities | 343,317 | 148,326 | 75,266 | (119,725) |
| Interest and Fiscal Charges | 212,969 | 499 | - | (212,470) |
| <i>Total Governmental Activities</i> | <u>\$ 19,417,236</u> | <u>\$ 406,848</u> | <u>\$ 3,946,018</u> | <u>(15,064,370)</u> |
| General Revenues: | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 1,608,464 |
| Capital Maintenance | | | | 30,711 |
| Debt Service | | | | 328,620 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 11,707,277 |
| Gain on Sale of Capital Assets | | | | 1,166 |
| Investment Earnings | | | | 1,860 |
| Miscellaneous | | | | 1,434 |
| <i>Total General Revenues</i> | | | | <u>13,679,532</u> |
| <i>Change in Net Assets</i> | | | | (1,384,838) |
| <i>Net Assets Beginning of Year</i> | | | | <u>25,558,828</u> |
| <i>Net Assets End of Year</i> | | | | <u>\$ 24,173,990</u> |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Balance Sheet
Governmental Funds
June 30, 2010

| | General | Bond Retirement | All Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|------------------------------------|--------------------------------|
| ASSETS: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,071,562 | \$ 1,094,279 | \$ 426,549 | \$ 3,592,390 |
| Accounts Receivable | 1,378 | - | - | 1,378 |
| Interfund Receivable | 424,721 | - | - | 424,721 |
| Intergovernmental Receivable | 5,808 | - | 316,060 | 321,868 |
| Taxes Receivable | 1,934,050 | 395,172 | 37,108 | 2,366,330 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 87,229 | - | - | 87,229 |
| <i>Total Assets</i> | <u>\$ 4,524,748</u> | <u>\$ 1,489,451</u> | <u>\$ 779,717</u> | <u>\$ 6,793,916</u> |
| LIABILITIES: | | | | |
| Accounts Payable | \$ 43,240 | \$ - | \$ 769 | \$ 44,009 |
| Accrued Wages and Benefits | 1,170,502 | - | 689,262 | 1,859,764 |
| Interfund Payable | - | - | 424,721 | 424,721 |
| Intergovernmental Payable | 416,278 | - | 60,707 | 476,985 |
| Deferred Revenue | 1,771,270 | 361,901 | 34,073 | 2,167,244 |
| <i>Total Liabilities</i> | <u>3,401,290</u> | <u>361,901</u> | <u>1,209,532</u> | <u>4,972,723</u> |
| FUND BALANCES: | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 20,605 | - | 9,757 | 30,362 |
| Reserved for Property Taxes | 162,780 | 33,271 | 3,035 | 199,086 |
| Reserved for Budget Stabilization | 87,229 | - | - | 87,229 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 852,844 | - | - | 852,844 |
| Special Revenue Funds | - | - | (442,608) | (442,608) |
| Debt Service Fund | - | 1,094,279 | - | 1,094,279 |
| Capital Projects Funds | - | - | 1 | 1 |
| <i>Total Fund Balances</i> | <u>1,123,458</u> | <u>1,127,550</u> | <u>(429,815)</u> | <u>1,821,193</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 4,524,748</u> | <u>\$ 1,489,451</u> | <u>\$ 779,717</u> | <u>\$ 6,793,916</u> |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

| | | |
|--|-------------|----------------------|
| Total Governmental Fund Balances | | \$ 1,821,193 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 26,328,286 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Taxes | 450,810 | |
| Total | | 450,810 |
| Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated Absences | (1,300,083) | |
| Capital Lease Obligations | (2,021,000) | |
| Capital Appreciation Bonds | (1,105,216) | |
| Total | | (4,426,299) |
| Net Assets of Governmental Activities | | \$ 24,173,990 |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

| | General | Bond Retirement | All Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|------------------------------------|--------------------------------|
| REVENUES: | | | | |
| Property Taxes | \$ 1,580,715 | \$ 322,997 | \$ 30,260 | \$ 1,933,972 |
| Intergovernmental | 11,661,973 | 68,570 | 3,922,583 | 15,653,126 |
| Interest | 1,801 | - | 59 | 1,860 |
| Tuition and Fees | 14,102 | - | - | 14,102 |
| Rent | 49,941 | - | - | 49,941 |
| Extracurricular Activities | - | - | 147,127 | 147,127 |
| Gifts and Donations | 7 | - | 162 | 169 |
| Customer Sales and Services | 8,732 | - | 186,946 | 195,678 |
| Miscellaneous | 1,409 | - | 25 | 1,434 |
| <i>Total Revenues</i> | <u>13,318,680</u> | <u>391,567</u> | <u>4,287,162</u> | <u>17,997,409</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,729,827 | - | 2,905,975 | 7,635,802 |
| Special | 1,132,491 | - | 404,042 | 1,536,533 |
| Vocational | 83,644 | - | - | 83,644 |
| Other | 516,268 | - | - | 516,268 |
| Support Services: | | | | |
| Pupils | 516,306 | - | 176,619 | 692,925 |
| Instructional Staff | 360,580 | - | 826,223 | 1,186,803 |
| Board of Education | 89,885 | - | - | 89,885 |
| Administration | 858,188 | - | 194,550 | 1,052,738 |
| Fiscal | 287,726 | 8,936 | 31,692 | 328,354 |
| Operation and Maintenance of Plant | 1,457,681 | - | 363,616 | 1,821,297 |
| Pupil Transportation | 1,894,004 | - | - | 1,894,004 |
| Central | 84,624 | - | - | 84,624 |
| Operation of Non-Instructional Services | 733 | - | 815,172 | 815,905 |
| Extracurricular Activities | 202,014 | - | 112,077 | 314,091 |
| Capital Outlay | 96,401 | - | 116,168 | 212,569 |
| Debt Service: | | | | |
| Principal | 189,000 | 270,000 | - | 459,000 |
| Interest | 83,931 | - | 20,852 | 104,783 |
| <i>Total Expenditures</i> | <u>12,583,303</u> | <u>278,936</u> | <u>5,966,986</u> | <u>18,829,225</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>735,377</u> | <u>112,631</u> | <u>(1,679,824)</u> | <u>(831,816)</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | - | - | 1,156,511 | 1,156,511 |
| Proceeds from Sale of Assets | 6,293 | - | - | 6,293 |
| Transfers Out | (1,156,511) | - | - | (1,156,511) |
| <i>Total Other Financing Sources and Uses</i> | <u>(1,150,218)</u> | <u>-</u> | <u>1,156,511</u> | <u>6,293</u> |
| <i>Net Change in Fund Balances</i> | (414,841) | 112,631 | (523,313) | (825,523) |
| <i>Fund Balances at Beginning of Year</i> | <u>1,538,299</u> | <u>1,014,919</u> | <u>93,498</u> | <u>2,646,716</u> |
| <i>Fund Balances at End of Year</i> | <u>\$ 1,123,458</u> | <u>\$ 1,127,550</u> | <u>\$ (429,815)</u> | <u>\$ 1,821,193</u> |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ (825,523)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions were exceeded by depreciation in the current period.

| | | |
|---------------------------|-------------|-----------|
| Capital Asset Additions | 446,307 | |
| Current Year Depreciation | (1,433,211) | |
| Total | (986,904) | (986,904) |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the proceeds from the sale of capital assets and the gain on disposal of fixed assets.

| | | |
|--------------------------------------|---------|---------|
| Proceeds from Sale of Capital Assets | (6,293) | |
| Gain on Sale of Capital Assets | 1,166 | |
| Total | (5,127) | (5,127) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|-------|--------|--------|
| Taxes | 33,823 | |
| Total | 33,823 | 33,823 |

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

189,000

Repayments of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

270,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|----------------------------------|-----------|--|
| Decrease in Compensated Absences | 48,079 | |
| Increase in Accreted Debt | (108,186) | |

| | | |
|-------|----------|--|
| Total | (60,107) | |
|-------|----------|--|

Net Change in Net Assets of Governmental Activities \$ (1,384,838)

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|---------------|---------------------------------------|
| Total Revenues and Other Financing Sources | \$ 13,282,735 | \$13,575,744 | \$ 13,575,744 | \$ - |
| Total Expenditures and Other Financing Uses | 12,093,271 | 14,353,916 | 14,353,916 | - |
| Net Change in Fund Balance | 1,189,464 | (778,172) | (778,172) | - |
| Fund Balance at Beginning of Year | 2,824,657 | 2,824,657 | 2,824,657 | - |
| Prior Year Encumbrances Appropriated | 49,608 | 49,608 | 49,608 | - |
| Fund Balance at End of Year | \$ 4,063,729 | \$ 2,096,093 | \$ 2,096,093 | \$ - |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

| | <u>Private Purpose Trust Fund</u> | <u>Agency Fund</u> |
|--|---|-------------------------|
| ASSETS: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 35,644</u> | <u><u>\$ 30,644</u></u> |
| LIABILITIES: | | |
| Undistributed Monies | <u>-</u> | <u><u>\$ 30,644</u></u> |
| NET ASSETS: | | |
| Held in Trust for Scholarships | <u><u>\$ 35,644</u></u> | |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

| | <u>Private Purpose Trust Fund</u> |
|--|---|
| ADDITIONS: | |
| Gifts and Contributions | \$ 7,298 |
| Total Additions | <u>7,298</u> |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | <u>4,382</u> |
| Change in Net Assets | 2,916 |
| Net Assets Beginning of Year | <u>32,728</u> |
| Net Assets End of Year | <u><u>\$ 35,644</u></u> |

The notes to the basic financial statements are an integral part of this statement.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 72 non-certificated employees, and 125 certificated full-time teaching personnel who provide services to 1,733 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 ensure 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 organizations 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 organizations nor are they fiscally dependent on the School District:

- * Parent Teacher Organizations
- * Booster Associations
- * Alumni Associations

The School District is associated with 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 14 and 15 to the basic 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 most significant of the School District's accounting policies are described below.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund

The General Fund is the general 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 is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Retirement Fund

The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources, and capital projects, whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's Student Managed Activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's Scholarship Funds.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

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. "Measurable" means the amount of the transaction can be determined and "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 60 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 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 expenditures 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 year-end: property taxes available as an advance, tuition, grants, and fees.

Deferred Revenue

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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting expenses are recognized at the time they are incurred.

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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Encumbrances - Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrance is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the statement of revenues, expenditures and changes in fund balances – budget and actual (budgetary basis) presented for the General Fund.

F. Cash and Cash Equivalents

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

During fiscal year 2010, the School District invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

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 and all other governmental funds during fiscal year 2010 amounted to \$1,801 and \$59, respectively.

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.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Land Improvements | 10-25 years |
| Buildings and Improvements | 20-25 years |
| Furniture and Equipment | 10-15 years |
| Vehicles | 10-15 years |
| Textbooks | 5-10 years |

H. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its 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.

The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave to the extent it is probable that benefits will result in termination payments. The accrual amount is based upon an estimate of the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

K. Fund Balance Reserves

The School District records reservations for portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation. Unreserved undesignated fund balance represents that portion of fund balance reflected for governmental funds, which is available for use within the specific purpose of those funds. Fund balance reserves are established for encumbrances, property taxes, and budget stabilization.

L. 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.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$1,718,962 in restricted net assets, none is restricted for enabling legislation.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 16 for additional information regarding set-asides.

O. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 statement of revenues, expenditures and changes in fund balance - budget and actual (budgetary basis) presented for the General Fund is 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 (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

| Net Change in Fund Balance | |
|----------------------------|----------------------------|
| GAAP Basis | \$ (414,841) |
| Revenue Accruals | 250,771 |
| Expenditure Accruals | (551,404) |
| Encumbrances | <u>(62,698)</u> |
| Budget Basis | <u><u>\$ (778,172)</u></u> |

NOTE 4 - 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 five-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 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.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - 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.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2010, the School District’s bank balance of \$3,576,198 was either covered by FDIC or collateralized by the financial institutions’ public entity deposit pools in the manner described above.

Investments As of June 30, 2010, the School District had the following investments and maturities:

| | Carrying/Fair Value | Weighted Average Maturity (Years) |
|-------------------|------------------------|--|
| STAROhio | \$ 34,148 | <1 Year |
| Total Investments | <u>\$ 34,148</u> | |

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy does not address credit risk beyond the requirements of the Ohio Revised Code.

The School District limited its investments to securities in STAROhio. STAROhio has been rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single user. The School District’s investment policy allows investments in STAROhio, repurchase agreements, and federal agencies or instrumentalities securities or obligations. 100% of the School District’s investments are in STAROhio.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District’s securities are held in the name of the School District.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - 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 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 (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which fiscal year 2010 taxes were collected are:

| | <u>2009 Second-Half Collections</u> | | <u>2010 First-Half Collections</u> | |
|---|-------------------------------------|----------------|------------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$ 82,173,120 | 92.57% | \$ 86,324,420 | 92.86% |
| Public Utility | 6,598,790 | 7.43% | 6,634,730 | 7.14% |
| Total Assessed Value | <u>\$ 88,771,910</u> | <u>100.00%</u> | <u>\$ 92,959,150</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 24.81 | | \$ 24.81 | |

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - PROPERTY TAXES (continued)

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts 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, 2010, was \$162,780 in the General Fund, \$33,271 in the Bond Retirement Major Debt Service Fund and \$3,035 in the Classroom Facilities Maintenance Non-major Special Revenue Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2010, consisted of taxes receivable, accounts, interfund receivables, 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:

| | |
|---------------------------------------|--------------------------|
| Major Fund: | |
| General | \$ 5,808 |
| Non-major Special Revenue Funds: | |
| Title I | 199,520 |
| Title II-A | 18,189 |
| Titla VI-B | 84,393 |
| High Schools that Work | 800 |
| Early Childhood Education | 13,158 |
| Total Non-major Special Revenue Funds | <u>316,060</u> |
| Total All Funds | <u><u>\$ 321,868</u></u> |

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

| | Ending Balance 6/30/2009 | Additions | Deletions | Ending Balance 6/30/2010 |
|--|-----------------------------|---------------------|-------------------|-----------------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 248,889 | \$ - | \$ - | \$ 248,889 |
| Total Capital Assets, Not Being Depreciated | 248,889 | - | - | 248,889 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 1,232,530 | - | - | 1,232,530 |
| Buildings and Improvements | 35,112,077 | 182,524 | (82,515) | 35,212,086 |
| Furniture and Equipment | 6,358,097 | 174,522 | (598,309) | 5,934,310 |
| Vehicles | 2,129,232 | 72,158 | (174,234) | 2,027,156 |
| Textbooks | 1,062,043 | 17,103 | - | 1,079,146 |
| Total Capital Assets, Being Depreciated | 45,893,979 | 446,307 | (855,058) | 45,485,228 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (1,005,861) | (67,948) | - | (1,073,809) |
| Buildings and Improvements | (10,188,141) | (768,075) | 362,482 | (10,593,734) |
| Furniture and Equipment | (5,246,012) | (435,470) | 487,449 | (5,194,033) |
| Vehicles | (1,449,277) | (125,798) | - | (1,575,075) |
| Textbooks | (933,260) | (35,920) | - | (969,180) |
| Total Accumulated Depreciation | (18,822,551) | (1,433,211) | 849,931 | (19,405,831) |
| Total Capital Assets, Being Depreciated, Net | 27,071,428 | (986,904) | (5,127) | 26,079,397 |
| Governmental Activities Capital Assets, Net | <u>\$ 27,320,317</u> | <u>\$ (986,904)</u> | <u>\$ (5,127)</u> | <u>\$ 26,328,286</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| Instruction: | |
| Regular | \$1,029,696 |
| Special | 1,953 |
| Vocational | 168 |
| Support Services: | |
| Pupils | 3,395 |
| Instructional Staff | 11,800 |
| Administration | 4,941 |
| Fiscal | 458 |
| Operation and Maintenance of Plant | 292,298 |
| Pupil Transportation | 46,162 |
| Operation of Non-Instructional Services | 13,114 |
| Extracurricular Activities | 29,226 |
| Total Depreciation Expense | <u>\$1,433,211</u> |

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 – 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 2010, the School District contracted with Government Underwriters of America for property, fleet insurance, and liability insurance coverage. Coverages provided were as follows:

| | |
|--|--------------|
| Building and Contents-replacement cost | \$37,405,800 |
| Excess Liability | |
| Per occurrence | 1,000,000 |
| Total aggregate | 1,000,000 |
| Automobile Liability | 1,000,000 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total aggregate | 3,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District has reviewed their insurance policies and have made changes in coverage where deemed appropriate.

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 15), 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 turns 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2010, 2009 and 2008 were \$264,061, \$167,370, and \$177,243, respectively; 58 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$181,102 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$942,518, \$880,522, and \$783,481, respectively; 83 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$160,184 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Postemployment Benefits

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$73,437, \$68,555, and \$61,080, for fiscal years 2010, 2009, and 2008, respectively.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent. For the School District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$19,252, \$17,804, and \$14,533, which equaled the required allocation for those years.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$56,404, \$143,739, and \$119,222, respectively, which equaled the required allocation for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 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 240 days for both classified and certified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 52 days for classified and 56 days for certified personnel.

B. Insurance Benefits

The School District provides life insurance to most employees through the Metropolitan Education Council.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - EMPLOYEE BENEFITS (continued)

C. 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 11 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District entered into a lease purchase agreement on August 21, 2002 to finance the School District's portion of the classroom facilities project. The lease meets the criteria of a capital lease as defined by the 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 financial statements for the governmental funds. Principal payments in fiscal year 2010 totaled \$189,000 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

| Fiscal Year Ending June 30, | |
|---|----------------------------|
| 2011 | \$ 290,635 |
| 2012 | 291,020 |
| 2013 | 290,929 |
| 2014 | 290,316 |
| Thereafter | <u>1,310,979</u> |
| Total Minimum Lease Payments | 2,473,879 |
| Less: Amounts Representing Interest | <u>(452,879)</u> |
| Present Value of Minimum Lease Payments | <u><u>\$ 2,021,000</u></u> |

NOTE 12 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2010 were as follows:

| | Principal Outstanding 6/30/2009 | Additions | Deductions | Principal Outstanding 6/30/2010 | Due Within One Year |
|---|---------------------------------------|----------------------------|----------------------------|---------------------------------------|--------------------------|
| 1999 Capital Appreciation Bonds | | | | | |
| 4.53% - 4.93% | \$ 529,992 | \$ - | \$ 100,443 | \$ 429,549 | \$ 92,996 |
| Accretion on Capital Appreciation Bonds | 737,038 | 108,186 | 169,557 | 675,667 | 172,004 |
| Capital Leases | 2,210,000 | - | 189,000 | 2,021,000 | 197,000 |
| Compensated Absences | 1,348,162 | 1,064,985 | 1,113,064 | 1,300,083 | 50,329 |
| Total Long-Term Liabilities | <u><u>\$ 4,825,192</u></u> | <u><u>\$ 1,173,171</u></u> | <u><u>\$ 1,572,064</u></u> | <u><u>\$ 4,426,299</u></u> | <u><u>\$ 512,329</u></u> |

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 - LONG-TERM LIABILITIES (continued)

\$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 2009 through 2015. The maturity amount of the bonds is \$1,640,000. For fiscal year 2010, \$108,186 was accreted on the capital appreciation bonds for a total outstanding bond value of \$1,105,216 at fiscal year end. \$675,667 was the total accreted value through June 30, 2010.

General obligation bonds will be paid from the Bond Retirement Fund. Capital leases will be paid from the General Fund. Compensated absences will be paid from the funds from which the employees' salaries are paid, with the most significant funds being the General Fund.

The School District's overall legal debt margin was \$7,936,775 with an unvoted debt margin of \$92,959 at June 30, 2010.

Principal and interest requirements to retire general obligation bonds at June 30, 2010, are as follows:

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Capital</u> <u>Appreciation</u> <u>Bonds</u> | <u>Accretion</u> | <u>Total</u> |
|--|---|-------------------|---------------------|
| 2011 | \$ 92,996 | \$ 172,004 | \$ 265,000 |
| 2012 | 89,392 | 180,608 | 270,000 |
| 2013 | 85,957 | 189,043 | 275,000 |
| 2014 | 82,849 | 197,151 | 280,000 |
| 2015 | 78,355 | 201,645 | 280,000 |
| | <u>\$ 429,549</u> | <u>\$ 940,451</u> | <u>\$ 1,370,000</u> |

The accretion in the amortization schedule does not match the principal outstanding at June 30, 2010 since the debt is not fully accreted as of June 30, 2010.

NOTE 13 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2010, were as follows:

| | <u>Transfer From</u> | <u>Transfer To</u> |
|---------------------------------------|----------------------|---------------------|
| Major Fund: | | |
| General | \$ 1,156,511 | \$ - |
| Non-Major Special Revenue Funds: | | |
| Public School Support | - | 534 |
| Poverty Based Aid | - | 779,112 |
| ARRA | - | 307,620 |
| District Managed Activity | - | 69,245 |
| Total Non-Major Special Revenue Funds | <u>-</u> | <u>1,156,511</u> |
| Total | <u>\$ 1,156,511</u> | <u>\$ 1,156,511</u> |

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 13 - INTERFUND ACTIVITY (continued)

Interfund Balances

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

| <u>Interfund Loans</u> | <u>Receivable</u> | <u>Payable</u> |
|--|-----------------------|-----------------------|
| General Fund | \$ 424,721 | \$ - |
| Non-major Special Revenue Funds: | | |
| District Managed Activity | - | 3,381 |
| Early Childhood | - | 2,380 |
| Title IV-B | - | 84,393 |
| High Schools That Work | - | 800 |
| Title I | - | 203,544 |
| Title II-A | - | 18,189 |
| Food Service | - | 112,034 |
| Total Non-major Special Revenue Funds | <u>-</u> | <u>424,721</u> |
| Total Interfund Receivables/Payables | <u>\$ 424,721</u> | <u>\$ 424,721</u> |

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

NOTE 14 - 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 Adams, Brown, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Vinton, and Scioto 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 of the eleven participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid \$141,210 for services provided by SCOCA during this fiscal 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 Coalition 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 Coalition 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 Coalition. The School District did not incur any expenditures for services provided by the Coalition during the year.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 15 - 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.

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 16 - 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 School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Worker's Compensation, which must be spent for specified purposes.

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.

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|--|----------------------|--------------------------------|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2009 | \$0 | \$0 | \$87,229 |
| Current year set-aside requirement | 266,041 | 266,041 | 0 |
| Current year offsets | 0 | (29,958) | 0 |
| Current year qualifying expenditures | (1,743,290) | (212,569) | 0 |
| Prior Year Offset from Bond Proceeds | 0 | (23,514) | 0 |
| Excess Qualified Expenditures From Prior Years | <u>(4,772,830)</u> | <u>0</u> | <u>0</u> |
| Total | <u>(\$6,250,079)</u> | <u>\$0</u> | <u>\$87,229</u> |
| Balance Carried Forward to Fiscal Year 2011 | <u>(\$6,250,079)</u> | <u>\$0</u> | <u>\$87,229</u> |
| Set-aside Reserve Balance as of June 30, 2010 | <u>\$0</u> | <u>\$0</u> | <u>\$87,229</u> |

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Textbooks and Capital Acquisition Reserves. The excess amount in the Textbooks Reserve may be carried forward and used to reduce the set-aside requirements of future fiscal years. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital acquisition to \$0. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$3,728,013 at June 30, 2010.

NOTE 17 - 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, 2010.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 18 – ACCOUNTABILITY

Accountability - Fund Balance Deficits

At June 30, 2010, the Food Service, Early Childhood, PBA Funds, ARRA, Drug Grant, Title II-A, Goals 2000 and Title I Special Revenue Funds had fund balance deficits of \$212,970, \$15,821, \$184,966, \$298,248, \$42, \$30,596, \$306, and \$108,840 respectively 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 19 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s basic financial statements.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's basic financial statements.

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2010

| Federal Grantor / Pass Through Grantor / Program Title | Pass Through Entity Number | Federal CFDA Number | Cash Receipts | Non-Cash Receipts | Cash Expenditures | Non-Cash Expenditures |
|--|-------------------------------|---------------------------|--------------------|----------------------|----------------------|--------------------------|
| <u>U.S. Department of Agriculture</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| School Breakfast Program | 05-PU-2009 | 10.553 | \$175,009 | \$0 | \$177,736 | \$0 |
| National School Lunch Program | LL-P4 2009 | 10.555 | 411,428 | 53,074 | 408,701 | 53,074 |
| School Lunch Equipment ARRA | | 10.579 | 19,041 | 0 | 19,041 | 0 |
| Total U.S. Department of Agriculture | | | <u>605,478</u> | <u>53,074</u> | <u>605,478</u> | <u>53,074</u> |
| <u>U.S. Department of Education</u> | | | | | | |
| <i>Passed Through Shawnee State University:</i> | | | | | | |
| 21st Century Grant | N/A | 84.287 | 65,677 | 0 | 62,336 | 0 |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title I Cluster: | | | | | | |
| Title I Grants to Local Educational Agencies | C1-S1 2009 | 84.010 | 761,996 | 0 | 941,990 | 0 |
| Title I Grants - ARRA | | 84.389 | 168,636 | 0 | 192,185 | 0 |
| Total Title I Cluster | | | <u>930,632</u> | <u>0</u> | <u>1,134,175</u> | <u>0</u> |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States (IDEA Part B) | 6B-SF 09 | 84.027 | 259,128 | 0 | 343,521 | 0 |
| Special Education - Grants to States (IDEA Part B) ARRA | | 84.391 | 337,406 | 0 | 303,022 | 0 |
| Total Special Education Cluster | | | <u>596,534</u> | <u>0</u> | <u>646,543</u> | <u>0</u> |
| Safe and Drug-Free Schools and Communities | DR-S1-09 | 84.186 | 10,978 | 0 | 10,978 | 0 |
| Title II-D Technology | TJ-S1 2009 | 84.298 | 7,440 | 0 | 7,440 | 0 |
| Improving Teacher Quality | TR-S1 2009 | 84.367 | 188,062 | 0 | 206,251 | 0 |
| Rural Education | RU-S1 2009 | 84.358 | 39,755 | 0 | 41,673 | 0 |
| State Fiscal Stabilization Fund - Education State Grant ARRA | | 84.394 | 780,589 | 0 | 1,093,764 | 0 |
| Total U.S. Department of Education | | | <u>2,619,667</u> | <u>0</u> | <u>3,203,160</u> | <u>0</u> |
| Total Federal Financial Assistance | | | <u>\$3,225,145</u> | <u>\$53,074</u> | <u>\$3,808,638</u> | <u>\$53,074</u> |

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2010, the District received commodities inventory. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2010, the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.