

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

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

HARR & SCHERER, CPAs, INC.

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

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

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STATE OF OHIO
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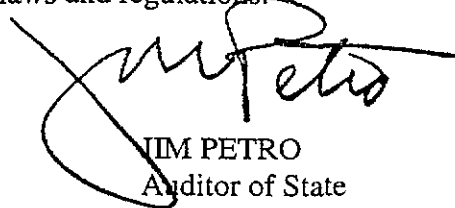
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Board of Education
Northwest Local School District
800 Mohawk Drive
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We have reviewed the Independent Auditor's Report of the Northwest Local School District, Scioto County, prepared by Harr & Scherer, CPAs, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

January 14, 2000

HARR & SCHERER, CPAs, INC.

Board of Education
Northwest Local School District
800 MoHawk Drive
McDermott, Ohio 45652

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the Northwest Local School District (the "District") as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Local School District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 1999 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 accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Circleville, Ohio
November 30, 1999

Harr & Scherer, CPAs

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS AND OTHER DEBITS</u>				
<u>ASSETS</u>				
Equity in pooled cash and cash equivalents	\$ 2,238,920	\$ 709,466	\$ 332,363	\$ 132,896
Restricted assets:				
Equity in pooled cash and cash equivalents	240,052	0	0	0
Receivables:				
Taxes	1,358,901	29,859	300,430	0
Accounts	3,121	0	0	0
Intergovernmental	22,135	15,922	0	0
Prepaid items	4,046	263	0	0
Inventory held for resale	0	0	0	0
Materials and supplies inventory	74,134	0	0	0
Fixed assets (net of accumulated depreciation)	0	0	0	0
Other debits:				
Amount available in debt service fund for retirement of general obligation bonds	0	0	0	0
Amount to be provided from general government resources	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 3,941,309</u>	<u>\$ 755,510</u>	<u>\$ 632,793</u>	<u>\$ 132,896</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 17,699	\$ 29,090	\$ 0	\$ 0	\$ 3,460,434
0	0	0	0	240,052
0	0	0	0	1,689,190
0	0	0	0	3,121
20	0	0	0	38,077
0	0	0	0	4,309
10,167	0	0	0	10,167
1,000	0	0	0	75,134
213,804	0	16,807,823	0	17,021,627
0	0	0	345,279	345,279
0	0	0	2,859,387	2,859,387
<u>\$ 242,690</u>	<u>\$ 29,090</u>	<u>\$ 16,807,823</u>	<u>\$ 3,204,666</u>	<u>\$ 25,746,777</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

COMBINED BALANCE SHEET - Continued
ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable	\$ 86,668	\$ 11,237	\$ 0	\$ 4,608
Contracts payable	0	0	0	13,152
Accrued wages and benefits	914,598	230,764	0	0
Compensated absences payable	14,157	587	0	0
Intergovernmental payable	161,072	85,004	0	0
Deferred revenue	1,302,744	28,455	287,514	0
Undistributed monies	0	0	0	0
Capital leases payable	0	0	0	0
General obligation refunding bonds payable	0	0	0	0
Total Liabilities	<u>2,479,239</u>	<u>356,047</u>	<u>287,514</u>	<u>17,760</u>
FUND EQUITY AND OTHER CREDITS				
Investment in general fixed assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for encumbrances	241,868	21,715	0	166,852
Reserved for inventory	74,134	0	0	0
Reserved for property taxes	56,157	1,404	12,916	0
Reserved for non-expendable trust	0	0	0	0
Reserved for buses	89,994	0	0	0
Reserved for budget stabilization	150,058	0	0	0
Unreserved:				
Undesignated (deficit)	849,859	376,344	332,363	(51,716)
Total Fund Equity and Other Credits	<u>1,462,070</u>	<u>399,463</u>	<u>345,279</u>	<u>115,136</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 3,941,309</u>	<u>\$ 755,510</u>	<u>\$ 632,793</u>	<u>\$ 132,896</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,513
0	0	0	0	13,152
38,744	0	0	0	1,184,106
9,690	0	0	605,632	630,066
17,583	0	0	62,832	326,491
7,395	0	0	0	1,626,108
0	13,938	0	0	13,938
0	0	0	16,210	16,210
0	0	0	2,519,992	2,519,992
<u>73,412</u>	<u>13,938</u>	<u>0</u>	<u>3,204,666</u>	<u>6,432,576</u>
0	0	16,807,823	0	16,807,823
169,278	0	0	0	169,278
0	0	0	0	430,435
0	0	0	0	74,134
0	0	0	0	70,477
0	12,000	0	0	12,000
0	0	0	0	89,994
0	0	0	0	150,058
0	3,152	0	0	1,510,002
<u>169,278</u>	<u>15,152</u>	<u>16,807,823</u>	<u>0</u>	<u>19,314,201</u>
<u>\$ 242,690</u>	<u>\$ 29,090</u>	<u>\$ 16,807,823</u>	<u>\$ 3,204,666</u>	<u>\$ 25,746,777</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUES:						
Property taxes	\$1,030,231	\$ 25,678	\$ 254,631	\$ 0	\$ 0	\$ 1,310,540
Intergovernmental	7,910,338	1,988,429	34,661	221,573	0	10,155,001
Interest	177,762	0	6,070	0	114	183,946
Tuition and fees	26,368	560	0	0	0	26,928
Rent	4,991	0	0	0	0	4,991
Extracurricular activities	0	184,958	0	0	0	184,958
Gifts and donations	0	5,762	0	0	500	6,262
Customer services	52,000	0	0	0	0	52,000
Miscellaneous	5,084	21	0	0	0	5,105
Total Revenues	9,206,774	2,205,408	295,362	221,573	614	11,929,731
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,917,733	782,647	0	142,993	0	4,843,373
Special	450,860	825,541	0	0	0	1,276,401
Vocational	81,706	0	0	0	0	81,706
Adult/continuing	0	108,145	0	0	0	108,145
Other	59,459	0	0	0	250	59,709
Support services:						
Pupils	331,805	97,276	0	0	0	429,081
Instructional staff	253,260	165,964	0	0	0	419,224
Board of education	23,683	0	0	0	0	23,683
Administration	888,974	65,304	0	0	0	954,278
Fiscal	196,704	18,033	7,112	30	0	221,879
Operation and maintenance of plant	1,274,042	114,572	0	0	0	1,388,614
Pupil transportation	921,458	0	0	0	0	921,458
Central	31,982	2,500	0	0	0	34,482
Operation of non- instructional services	2,965	785	0	0	0	3,750
Extracurricular activities	187,532	155,923	0	0	0	343,455
Capital outlay	340,820	0	0	379,011	0	719,831
Debt service:						
Principal retirement	20,334	0	60,000	0	0	80,334
Interest and fiscal charges	1,914	0	184,243	0	0	186,157
Total Expenditures	8,985,231	2,336,690	251,355	522,034	250	12,095,560
Excess of Revenues Over (Under) Expenditures	221,543	(131,282)	44,007	(300,461)	364	(165,829)

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND - Continued

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of fixed assets	22,722	0	0	0	0	22,722
Operating transfers - in	0	43,000	0	1,000	0	44,000
Operating transfers - out	(44,000)	0	0	0	0	(44,000)
Proceeds of refunding bonds	0	0	2,878,107	0	0	2,878,107
Payment to refunding bond escrow account	0	0	(2,783,378)	0	0	(2,783,378)
Total Other Financing Sources (Uses)	(21,278)	43,000	94,729	1,000	0	117,451
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 200,265	 (88,282)	 138,736	 (299,461)	 364	 (48,378)
 Fund balances at beginning of year (As restated)	 1,245,420	 487,745	 206,543	 414,597	 2,107	 2,356,412
 Increase in reserve for inventory	 16,385	 0	 0	 0	 0	 16,385
 Fund Balances at End of Year	 <u>\$1,462,070</u>	 <u>\$ 399,463</u>	 <u>\$ 345,279</u>	 <u>\$ 115,136</u>	 <u>\$ 2,471</u>	 <u>\$ 2,324,419</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**

For the Fiscal Year Ended June 30, 1999

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Property taxes	\$ 1,038,282	\$ 1,038,282	\$ 0
Intergovernmental	7,895,051	7,895,051	0
Interest	177,916	177,762	(154)
Tuition and fees	26,368	26,368	0
Rent	12,715	12,715	0
Extracurricular activities	0	0	0
Gifts and donations	0	0	0
Customer services	52,000	52,000	0
Miscellaneous	2,146	2,146	0
TOTAL REVENUES	<u>9,204,478</u>	<u>9,204,324</u>	<u>(154)</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	3,934,794	3,934,794	0
Special	447,509	447,509	0
Vocational	80,841	80,841	0
Adult/continuing	0	0	0
Other	72,784	72,784	0
Support services:			
Pupils	428,903	428,903	0
Instructional staff	259,835	259,835	0
Board of education	26,451	26,451	0
Administration	913,951	913,951	0
Fiscal	196,653	196,653	0
Operation and maintenance of plant	1,356,658	1,356,658	0
Pupil transportation	1,043,177	1,043,177	0
Central	32,256	32,256	0
Non-instructional services	2,965	2,965	0
Extracurricular activities	187,860	187,860	0
Capital outlay	362,336	362,336	0
Debt service:			
Principal retirement	0	0	0
Interest and fiscal charges	0	0	0
TOTAL EXPENDITURES	<u>9,346,973</u>	<u>9,346,973</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(142,495)</u>	<u>(142,649)</u>	<u>(154)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	22,722	22,722	0
Refund of prior year expenditures	96	96	0
Operating transfers in	62,830	62,830	0
Operating transfers out	(106,830)	(106,830)	0
Other financing sources	7,274	7,274	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,908)</u>	<u>(13,908)</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(156,403)</u>	<u>(156,557)</u>	<u>(154)</u>
Fund balances, beginning of year	1,841,954	1,841,954	0
Prior year encumbrances appropriated	466,951	466,951	0
Fund balances (deficit), end of year	<u>\$ 2,152,502</u>	<u>\$ 2,152,348</u>	<u>\$ (154)</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND - Continued**

For the Fiscal Year Ended June 30, 1999

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 25,877	\$ 25,877	\$ 0
Intergovernmental	2,191,884	2,109,372	(82,512)
Interest	0	0	0
Tuition and fees	560	560	0
Rent	0	0	0
Extracurricular activities	184,958	184,958	0
Gifts and donations	5,762	5,762	0
Customer services	0	0	0
Miscellaneous	0	0	0
TOTAL REVENUES	<u>2,409,041</u>	<u>2,326,529</u>	<u>(82,512)</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	743,401	743,401	0
Special	827,203	827,203	0
Vocational	0	0	0
Adult/continuing	116,653	116,653	0
Other	0	0	0
Support services:			
Pupils	120,058	120,058	0
Instructional staff	153,615	153,615	0
Board of education	0	0	0
Administration	70,372	70,372	0
Fiscal	18,033	18,033	0
Operation and maintenance of plant	120,386	120,386	0
Pupil transportation	0	0	0
Central	5,000	5,000	0
Non-instructional services	785	785	0
Extracurricular activities	165,991	165,991	0
Capital outlay	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest and fiscal charges	0	0	0
TOTAL EXPENDITURES	<u>2,341,497</u>	<u>2,341,497</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>67,544</u>	<u>(14,968)</u>	<u>(82,512)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	0	0	0
Refund of prior year expenditures	21	21	0
Operating transfers in	43,000	43,000	0
Operating transfers out	0	0	0
Other financing sources	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>43,021</u>	<u>43,021</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>110,565</u>	<u>28,053</u>	<u>(82,512)</u>
Fund balances, beginning of year	436,303	436,303	0
Prior year encumbrances appropriated	169,505	169,505	0
Fund balances (deficit), end of year	<u>\$ 716,373</u>	<u>\$ 633,861</u>	<u>\$ (82,512)</u>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 259,667	\$ 259,667	\$ 0	\$ 0	\$ 0	\$ 0
34,662	34,662	0	358,076	221,573	(136,503)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
294,329	294,329	0	358,076	221,573	(136,503)
0	0	0	170,743	170,743	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7,112	7,112	0	30	30	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	534,424	534,424	0
60,000	60,000	0	0	0	0
89,515	89,515	0	0	0	0
156,627	156,627	0	705,197	705,197	0
137,702	137,702	0	(347,121)	(483,624)	(136,503)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,000	1,000	0
0	0	0	0	0	0
6,070	6,070	0	0	0	0
6,070	6,070	0	1,000	1,000	0
143,772	143,772	0	(346,121)	(482,624)	(136,503)
188,591	188,591	0	84,622	84,622	0
0	0	0	346,287	346,287	0
\$ 332,363	\$ 332,363	\$ 0	\$ 84,788	\$ (51,715)	\$ (136,503)

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND - Continued**

For the Fiscal Year Ended June 30, 1999

	Expensible Trust		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Property taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0
Interest	114	114	0
Tuition and fees	0	0	0
Rent	0	0	0
Extracurricular activities	0	0	0
Gifts and donations	500	500	0
Customer services	0	0	0
Miscellaneous	0	0	0
TOTAL REVENUES	<u>614</u>	<u>614</u>	<u>0</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/continuing	0	0	0
Other	250	250	0
Support services:			
Pupils	0	0	0
Instructional staff	0	0	0
Board of education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and maintenance of plant	0	0	0
Pupil transportation	0	0	0
Central	0	0	0
Non-instructional services	0	0	0
Extracurricular activities	0	0	0
Capital outlay	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest and fiscal charges	0	0	0
TOTAL EXPENDITURES	<u>250</u>	<u>250</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>364</u>	<u>364</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	0	0	0
Refund of prior year expenditures	0	0	0
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Other financing sources	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>364</u>	<u>364</u>	<u>0</u>
<i>Fund balances, beginning of year</i>	2,107	2,107	0
<i>Prior year encumbrances appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances (deficit), end of year	<u>\$ 2,471</u>	<u>\$ 2,471</u>	<u>\$ 0</u>

Totals - Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,323,826	\$ 1,323,826	\$ 0
10,479,673	10,260,658	(219,015)
178,030	177,876	(154)
26,928	26,928	0
12,715	12,715	0
184,958	184,958	0
6,262	6,262	0
52,000	52,000	0
2,146	2,146	0
<u>12,266,538</u>	<u>12,047,369</u>	<u>(219,169)</u>
4,848,938	4,848,938	0
1,274,712	1,274,712	0
80,841	80,841	0
116,653	116,653	0
73,034	73,034	0
548,961	548,961	0
413,450	413,450	0
26,451	26,451	0
984,323	984,323	0
221,828	221,828	0
1,477,044	1,477,044	0
1,043,177	1,043,177	0
37,256	37,256	0
3,750	3,750	0
353,851	353,851	0
896,760	896,760	0
60,000	60,000	0
89,515	89,515	0
<u>12,550,544</u>	<u>12,550,544</u>	<u>0</u>
<u>(284,006)</u>	<u>(503,175)</u>	<u>(219,169)</u>
22,722	22,722	0
117	117	0
106,830	106,830	0
(106,830)	(106,830)	0
13,344	13,344	0
<u>36,183</u>	<u>36,183</u>	<u>0</u>
(247,823)	(466,992)	(219,169)
2,553,577	2,553,577	0
<u>982,743</u>	<u>982,743</u>	<u>0</u>
<u>\$3,288,497</u>	<u>\$ 3,069,328</u>	<u>\$ (219,169)</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND**

For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	
OPERATING REVENUES			
Sales	\$ 195,237	\$ 0	\$ 195,237
Interest	0	681	681
Other revenues	20	0	20
TOTAL OPERATING REVENUES	<u>195,257</u>	<u>681</u>	<u>195,938</u>
OPERATING EXPENSES			
Salaries	197,007	0	197,007
Fringe benefits	117,286	0	117,286
Purchased services	5,969	0	5,969
Materials and supplies	622	0	622
Cost of sales	241,040	0	241,040
Depreciation	18,873	0	18,873
Other	9,210	695	9,905
TOTAL OPERATING EXPENSES	<u>590,007</u>	<u>695</u>	<u>590,702</u>
OPERATING LOSS	<u>(394,750)</u>	<u>(14)</u>	<u>(394,764)</u>
NON-OPERATING REVENUES (EXPENSES)			
Federal donated commodities	53,573	0	53,573
Federal and state subsidies	319,515	0	319,515
Loss on disposal of fixed assets	(709)	0	(709)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>372,379</u>	<u>0</u>	<u>372,379</u>
NET LOSS	<u>(22,371)</u>	<u>(14)</u>	<u>(22,385)</u>
Retained earnings/fund balance, Beginning of year	<u>191,649</u>	<u>12,695</u>	<u>204,344</u>
Retained earnings/fund balance, End of year	<u>\$ 169,278</u>	<u>\$ 12,681</u>	<u>\$ 181,959</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND

For the Fiscal Year Ended June 30, 1999

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Sales	\$ 195,237	\$ 195,237	\$ 0
Interest	0	0	0
Federal and state subsidies	319,515	319,515	0
TOTAL REVENUES	<u>514,752</u>	<u>514,752</u>	<u>0</u>
EXPENSES			
Salaries	199,807	199,807	0
Fringe benefits	110,782	110,782	0
Purchased services	6,246	6,246	0
Materials and supplies	186,609	186,609	0
Other	9,210	9,210	0
Capital outlay	1,796	1,796	0
TOTAL EXPENSES	<u>514,450</u>	<u>514,450</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	302	302	0
Fund equity, beginning of year	15,662	15,662	0
Prior year encumbrances appropriated	1,528	1,528	0
Fund equity, end of year	<u>\$ 17,492</u>	<u>\$ 17,492</u>	<u>\$ 0</u>

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 195,237	\$ 195,237	\$ 0
681	681	0	681	681	0
0	0	0	319,515	319,515	0
681	681	0	515,433	515,433	0
0	0	0	199,807	199,807	0
0	0	0	110,782	110,782	0
0	0	0	6,246	6,246	0
0	0	0	186,609	186,609	0
695	695	0	9,905	9,905	0
0	0	0	1,796	1,796	0
695	695	0	515,145	515,145	0
(14)	(14)	0	288	288	0
12,695	12,695	0	28,357	28,357	0
0	0	0	1,528	1,528	0
<u>\$12,681</u>	<u>\$ 12,681</u>	<u>\$ 0</u>	<u>\$ 30,173</u>	<u>\$ 30,173</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND

For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Non- Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	<u>Enterprise</u>	<u>Trust</u>	<u>Only</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 195,237	\$ 0	\$ 195,237
Cash payments for employee services	(199,807)	0	(199,807)
Cash payments for employee benefits	(110,782)	0	(110,782)
Cash payments to suppliers for goods and services	(193,003)	0	(193,003)
Other operating expenses	(9,210)	(695)	(9,905)
Cash received from investment income	<u>0</u>	<u>681</u>	<u>681</u>
Net cash used for operating activities	<u>(317,565)</u>	<u>(14)</u>	<u>(317,579)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	<u>(1,441)</u>	<u>0</u>	<u>(1,441)</u>
Net cash used by capital and related financing activities	<u>(1,441)</u>	<u>0</u>	<u>(1,441)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Federal and state subsidies	<u>319,515</u>	<u>0</u>	<u>319,515</u>
Net cash provided by noncapital financing activities	<u>319,515</u>	<u>0</u>	<u>319,515</u>
Net increase (decrease) in cash and cash equivalents	509	(14)	495
Cash and cash equivalents at beginning of year	<u>17,190</u>	<u>12,695</u>	<u>29,885</u>
Cash and cash equivalents at end of year	<u>\$ 17,699</u>	<u>\$ 12,681</u>	<u>\$ 30,380</u>

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND - (Continued)**

For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Non- Expendable</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Trust</u>	<u>(Memorandum Only)</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (394,750)	\$ (14)	\$ (394,764)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	18,873	0	18,873
Donated commodities used during year	53,573	0	53,573
Changes in assets and liabilities:			
Increase in materials and supplies inventory	440	0	440
Decrease in inventory held for resale	672	0	672
Decrease in accrued salaries payable	(4,642)	0	(4,642)
Increase in intergovernmental payable	8,775	0	8,775
Decrease in compensated absences payable	(506)	0	(506)
Total adjustments	77,185	0	77,185
Net cash used for operating activities	\$ (317,565)	\$ (14)	\$ (317,579)
 RECONCILIATION OF CASH AND CASH EQUIVALENTS OF NONEXPENDABLE TRUST FUND TO BALANCE SHEET:			
Cash and cash equivalents – all fiduciary funds	\$ 29,090		
Cash and cash equivalents – agency funds	(13,938)		
Cash and cash equivalents – expendable trust fund	(2,471)		
Cash and cash equivalents – nonexpendable trust fund	\$ 12,681		

The accompanying notes are an integral part of these general purpose financial statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

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 70 non-certificated employees, 118 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,911 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building and 1 garage.

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

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

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

- ◆ Parent Teacher Organizations
- ◆ Booster Associations
- ◆ Alumni Associations

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as a public entity shared risk pool. These organizations are the Coalition of Rural and Appalachian Schools, the Scioto County Regional Council of Governments, the South Central Ohio Computer Association (SCOCA) and the Scioto County Joint Vocational School. These organizations are discussed in these Notes to the Financial Statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwest Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fiduciary Fund Types

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

Account Groups

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

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

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

Measurement Focus and Basis of Accounting

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Scioto County Budget Commission for rate determination.

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Process - Continued

include any unencumbered cash balances from the preceding fiscal year. The Certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

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

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

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

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

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

Cash and Cash Equivalents

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and certificates of deposits during fiscal year 1999. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents- Continued

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$177,762, which includes \$47,207 assigned from other School District funds. The debt service fund, expendable trust fund, and non-expendable trust fund also received interest revenue of \$6,070, \$114 and \$681, respectively.

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

Inventory

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

Prepaid Items

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

Fixed Assets and Depreciation

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

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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fixed Assets and Depreciation - Continued

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

Intergovernmental Revenues

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

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

Entitlements	Non-Reimbursable Grants
General Fund	Special Revenue Funds
State Foundation Program	Venture Capital
State Property Tax Relief	Dwight D. Eisenhower
School Bus Purchase Reimbursement	Education Management Information Systems
	Adult Basis Literary Education
Capital Projects Funds	Disadvantaged Pupil Impact Aid
School Net	Title I
School Net Plus	Title VI
Technology Equity	Title VI-B
Classroom Facilities	Drug-Free Schools
Emergency School Building Repair	Goals 2000 Proficiency
	Professional Development Block Grant
Reimbursable Grants	Community Education
General Fund	School Net Professional Development
Driver Education	Classroom Facilities Maintenance
Proprietary Funds	Textbook/Instructional Materials
National School Lunch Program	School-to-Work Grant
National School Breakfast Program	
Government Donated Commodities	

Grants and entitlements received in the governmental funds amount to approximately eighty-five percent of governmental fund revenue during the 1999 fiscal year.

Compensated Absences

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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Continued

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

Accrued Liabilities and Long-Term Obligations

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

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

Interfund Transactions

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

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

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpected revenues restricted for the purchase of buses, and amounts required by statute to be set aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Set-Aside Calculations and Fund Reserves Note on pages 41-42 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, non-expendable trusts, budget stabilization, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

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

Total Columns on General Purpose Financial Statements

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

CHANGE IN ACCOUNTING PRINCIPLE/CORRECTION OF ERROR

GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides for the reporting of deferred compensation programs. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

As of July 1, 1998 the District reclassified a fund from Capital Projects to Special Revenue to more accurately report the nature of the fund. The effect on the beginning fund balances is as follows:

	<u>Special Revenue</u>	<u>Capital Projects</u>	
Fund balances as previously reported, June 30, 1998	\$ 429,845	\$ 472,497	
Reclassification of fund	<u>57,900</u>	<u>(57,900)</u>	
Fund balances restated, July 1, 1998	<u>\$ 487,745</u>	<u>\$ 414,597</u>	

ACCOUNTABILITY

At June 30, 1999, the Disadvantaged Pupil Impact Aid Special Revenue Fund had a deficit fund balance of \$112,879. The deficit was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ 200,265	\$ (88,282)	\$ 138,736	\$ (299,461)	\$ 364
Revenue Accruals	4,920	121,142	5,037	0	0
Expenditure Accruals	(35,118)	70,797	0	1,448	0
Interest and Fiscal Charges	0	0	94,728	0	0
Payment to Refunding Bond Escrow Account	0	0	2,783,378	0	0
Proceeds of Refunding Bonds	0	0	(2,878,107)	0	0
Encumbrances	(326,624)	(75,604)	0	(184,611)	0
 Budget Basis	 <u>\$ (156,557)</u>	 <u>\$ 28,053</u>	 <u>\$ 143,772</u>	 <u>\$ (482,624)</u>	 <u>\$ 364</u>

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

BUDGETARY BASIS OF ACCOUNTING - Continued

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

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	\$ (22,371)	\$ (14)
Revenue Accruals	0	0
Expense Accruals	2,566	0
Depreciation	18,873	0
Capital Outlay	1,441	0
Encumbrances	<u>(207)</u>	<u>0</u>
 Budget Basis	 <u>\$ 302</u>	 <u>\$ (14)</u>

DEPOSITS AND INVESTMENTS

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

- Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
- Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

DEPOSITS AND INVESTMENTS - Continued

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 specific 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

DEPOSITS AND INVESTMENTS - Continued

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$54,048 and the bank balance was \$543,811. Of the bank balance, \$150,083 was covered by federal depository insurance and \$393,728 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase	\$ 413,993	\$ 413,993	\$ 414,026
STAR Ohio	0	3,232,445	3,232,445
Totals	<u>\$ 413,993</u>	<u>\$ 3,646,438</u>	<u>\$ 3,646,471</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities that use Proprietary Fund Accounting"*. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	<u>Cash and Cash Equivalent/Deposits</u>	<u>Investments</u>
<i>GASB Statement 9</i>	\$ 3,700,486	\$ 0
Investments:		
Repurchase Agreements	(413,993)	413,993
STAR Ohio	(3,232,445)	3,232,445
<i>GASB Statement 3</i>	<u>\$ 54,048</u>	<u>\$ 3,646,438</u>

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.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

PROPERTY TAXES - Continued

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

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

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

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

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 38,082,170	79.54	\$ 48,728,380	82.19
Public Utility	6,688,300	13.97	6,885,480	11.61
Tangible Personal Property	<u>3,106,820</u>	<u>6.49</u>	<u>3,676,480</u>	<u>6.20</u>
Total Assessed Value	<u>\$ 47,877,290</u>	<u>100.00</u>	<u>\$ 59,290,340</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 26.31		\$ 26.31	

RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), 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.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

RECEIVABLES - Continued

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Drivers Education	\$ 5,750
Travel Reimbursements	<u>16,385</u>
Total General Fund	22,135
Special Revenue Funds:	
Adult Basic Literacy Education	<u>15,922</u>
Food Service Fund:	
National School Lunch Program	<u>20</u>
Total Intergovernmental Receivables	<u>\$ 38,077</u>

FIXED ASSETS

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

Furniture and Equipment	\$ 347,045
Less Accumulated Depreciation	<u>(133,241)</u>
Net Fixed Assets	<u>\$ 213,804</u>

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

<u>Asset Category</u>	<u>Balance at June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 1999</u>
Land and Improvements	\$ 189,530	\$ 7,378	\$ 0	\$ 196,908
Buildings and Improvements	18,381,448	657,795	0	19,039,243
Furniture, Fixtures and Equipment	2,965,625	559,330	51,820	3,473,135
Vehicles	1,573,564	106,680	118,044	1,562,200
Books	<u>865,262</u>	<u>0</u>	<u>0</u>	<u>865,262</u>
Totals	<u>\$ 23,975,429</u>	<u>\$ 1,331,183</u>	<u>\$ 169,864</u>	<u>25,136,748</u>
Accumulated Depreciation				<u>(8,328,925)</u>
Total General Fixed Assets				<u>\$ 16,807,823</u>

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 1999, the School District contracted with Portsmouth Insurance for property and fleet insurance and inland marine coverage. The School District contracted with Nationwide Insurance for liability insurance.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

RISK MANAGEMENT - Continued

Coverages are as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$ 33,204,512
Inland Marine Coverage (\$1,000 deductible)	10,000
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	5,000
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (\$250-\$500 deductible)	1,000,000
General Liability:	
Per occurrence	2,000,000
Total per year	5,000,000

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

The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool, consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

DEFINED BENEFIT PENSION PLANS

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7% of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$88,771, \$116,322, and \$120,001, respectively; 47% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. The unpaid contribution of \$47,107 for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

DEFINED BENEFIT PENSION PLANS - Continued

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 6% was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5%. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$263,401, \$494,955, and \$549,345, respectively; 81% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. The unpaid contribution of \$ 50,801 for fiscal year 1999, is recorded as a liability within the respective funds.

POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund, an increase from 3.5% for fiscal year 1998. For the School District, this amount equaled \$351,201 for fiscal year 1999. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30% of covered payroll, an increase from 4.98% for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

POSTEMPLOYMENT BENEFITS - Continued

minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$89,356.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

EMPLOYEE BENEFITS

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 220 days for all certified employees, 210 days for all classified employees, and the length of the contract for all administrators. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit for certified employees and administrators. The maximum payment is 49 days for certified employees and up to 50 days for administrators. For classified employees, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 47 days.

Life Insurance - The School District provides life insurance to employees through CoreSource.

Early Retirement Incentive - The School District Board of Education approved an Early Retirement Incentive program. The enrollment period for employees was from May 1-15, 1999 for retirement effective July 1, 1999. Participation was open to employees who became eligible for retirement during 1998-99 school year. A super severance of \$4,000 will be awarded to Northwest Local Education Association members who have obtained 30 years of combined State service. No one participated in this incentive for fiscal year 1999. The retirement incentive program will be offered again in fiscal year 2000.

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.

For 1999, the School District has implemented *GASB Statement No. 32. "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

CAPITAL LEASES – LESSEE DISCLOSURE

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

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$68,886. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$20,334 in the governmental funds.

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

June 30, 2000	\$	16,686
Less: Amount representing interest		<u>(476)</u>
Present value of net minimum lease payments	\$	<u>16,210</u>

LONG-TERM OBLIGATIONS

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

	Principal Outstanding <u>July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 1999</u>
School Facilities General Obligations Bond 1991 6.8%	\$ 2,580,000	\$ 0	\$ 2,580,000	\$ 0
School Facilities General Obligations Refunding Bond 1999 4.5%	0	2,519,992	0	2,519,992
Capital Leases	36,544	0	20,334	16,210
Pension Obligation	71,492	62,832	71,492	62,832
Compensated Absences	<u>610,346</u>	<u>0</u>	<u>4,714</u>	<u>605,632</u>
Total General Long-Term Obligations	<u>\$ 3,298,382</u>	<u>\$ 2,582,824</u>	<u>\$ 2,676,540</u>	<u>\$ 3,204,666</u>

Northwest School Facilities General Obligation Bond – In September, 1991, Northwest School District issued \$2,800,000 in voted general obligation bonds for the purpose of school improvements. The bonds were issued for a twenty-three year period with final maturity at December 1, 2014. Prior to the refunding of these bonds, the School district made a payment of \$60,000.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

LONG-TERM OBLIGATIONS - Continued

Advance Refunding – On April 15, 1999 the School District issued \$2,519,992 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,520,000 of refunded debt. Serial bonds of \$1,990,000 were issued with interest rates ranging from 3.25% to 4.3%. Capital appreciation bonds of \$529,992 were issued. The bonds were issued with a \$358,114 premium. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term obligations account group. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$438,611 and resulted in an economic gain of \$624,979.

School Facility Loan – On June 27, 1991, the School District entered into a school facilities loan program for the purpose of constructing a new elementary school and high school and to remodel the existing middle school. Under the contract, the District was to receive \$15,549,150 as provided by the State to be repaid from the proceeds of a half mill levy over twenty three years. The remaining funding of \$2,800,000 was received through bond anticipation notes issued in 1991. If at anytime during the twenty-three year period, the taxes necessary to be levied to provide the debt service on the District's net indebtedness, including the bond issue plus the half mill payment to the State, would decline below four mills per year, then any margin thus created between the reduced millage and four mills must be levied and repaid to the State. At the end of the twenty-three year period any remaining unpaid balance on the State loan is forgiven and written off by the State.

On October 28, 1997, Northwest Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$15,513,427 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 607 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty- three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$3,161,418 with an unvoted debt margin of \$59,290 at June 30, 1999. Principal and interest requirements to retire general obligation refunding bonds at June 30, 1999, are as follows:

Fiscal Year Ending June 30.	Principal	Interest	Total
2000	\$ 180,000	\$ 85,084	\$ 265,084
2001	155,000	69,475	224,475
2002	165,000	63,751	228,751
2003	180,000	57,365	237,365
2004	190,000	50,285	240,285
2005 - 2009	1,120,000	1,234,333	2,354,333
2010 - 2014	451,637	908,363	1,360,000
2015	78,355	201,645	280,000
Total	<u>\$ 2,519,992</u>	<u>\$ 2,670,301</u>	<u>\$ 5,190,293</u>

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual commitments for window and door replacement at the middle school and the Family Resource Center as follows:

<u>Company</u>	<u>Service Provided</u>	<u>Contract Remaining</u>
Concrete Contractor Plus, Inc.	Door(s) replacement	\$ 101,175
Distel Construction Co.	Window/door replacement	106,897
Tanner, Stone, & Co.	Architects	2,975

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, Highland, Lawrence, Pike, Ross, Scioto, and Vinton 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 eight participating member counties, two representatives of the school treasurers, plus the fiscal agent. The School District paid SCOCA \$7,836 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Scioto County Joint Vocational School - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocational School at P.O. Box 766, Lucasville, Ohio 45648.

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

PUBLIC ENTITY SHARED RISK POOL

Scioto County Regional Council of Governments - The School District is a member of the Scioto County Regional Council of Governments, 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 Regional Council of Governments. 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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

PUBLIC ENTITY SHARED RISK POOL - Continued

Scioto County Regional Council of Governments - Continued - comprehensive loss control. The Scioto County Regional Council of Governments, is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Directors, consisting of superintendents from the participating school districts. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Center at Fourth and Court Streets, Portsmouth, Ohio 45662. 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 cost 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.

SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$7,635,971 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money for the construction of an elementary and a high school, plus remodeling of the existing middle school. As of June 30, 1999, the School District had received a total of \$15,549,150 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

SET-ASIDE CALCULATIONS AND FUND RESERVES - Continued

at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the School District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials, capital improvements, budget stabilization, and school bus purchases from the end of the prior year to the end of the current year.

Textbook and Instructional Materials

Set-aside carried forward from the prior year		\$ 0
Current year set-aside requirement	123,370	
Qualifying expenditures made during the year	(123,370)	
Amount of offsets for the year	0	
Total		0
Balance of the set-aside of be carried forward to next year		\$ 0

Capital Acquisitions

Set-aside balance carried forward from prior year		\$ 0
Current year set-aside requirement	123,370	
Qualifying expenditures made during the year	(123,370)	
Amount of offsets for the year	0	
Total		0
Balance of the set-aside to be carried forward to next year		\$ 0

Budget Stabilization

Set-aside balance carried forward from the prior year		\$ 87,229
Current year set-aside requirement	62,829	
Workers' Compensation refund received during the year	0	
Total		62,829
Balance of set-aside to be carried forward to next year		\$ 150,058

School Bus Purchases

Balance carried forward from the prior year		\$ 80,375
Current year amount received	89,994	
Qualifying expenditures made during the year	(80,375)	
Total		9,619
Balance to be carried forward to next year		\$ 89,994

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 1999

YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

The Northwest Local School district has established a Year 2000 committee to review and verify Year 2000 issues. The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting School district operations. The School District also has three school buildings with power, heating and air conditioning systems which have extensive efficiency utilization measures within the systems. The School District is currently replacing or upgrading equipment and/or software to meet Year 2000 standards and all mission-critical equipment and software has been reviewed with vendors to assure Year 2000 compliance.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems and any associated costs.

Scioto County distributes a substantial sum of money to the School District in the form of taxes. The County is responsible for remediating these systems and any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School does business will be year 2000 ready.

CONTINGENCIES

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, 1999.

Litigation - The School District is not party to any legal proceedings.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

For the Fiscal Year Ended June 30, 1999

<u>Agency/Program Grant Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA#</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture</u>				
Passed through the State				
Department of Education:				
Child Nutrition Cluster:				
(A) Food Distribution Program (Commodities)	NA	10.550	\$ 54,184	\$ 53,573
School Breakfast Program	049635 05-PU-98 & 05-PU-99	10.553	65,837	65,837
National School Lunch Program	049635 03-PU-98 & 99/ 049635 04-PU-98 & 99	10.555	<u>229,878</u>	<u>229,878</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>\$ 349,899</u>	<u>\$ 349,288</u>
<u>U.S. Department of Education</u>				
Passed through the State				
Department of Education:				
Adult and Community Education	049635 AB-S1-98 & 98C	84.002	\$ 31,860	\$ 55,178
Adult and Community Education	049635 AB-S1-99	84.002	<u>68,125</u>	<u>82,960</u>
Total Adult and Community Education			<u>\$ 99,985</u>	<u>\$ 138,138</u>
Educationally Deprived Children - Local Educational Agencies -				
Title I	049635 C1-S1-98	84.010	\$ 98,240	\$ 233,247
Title I	049635 C1-S1-99	84.010	<u>584,350</u>	<u>476,486</u>
Total Title I			<u>\$ 682,590</u>	<u>\$ 709,733</u>
Special Education Cluster:				
Handicapped State Grants				
Education of the Handicapped Act				
Title VI-B	049635 6B-SF-99P	84.027	\$ 86,456	\$ 42,857
	049635 6B-SF-98P	84.027	<u>0</u>	<u>14,977</u>
Total Title VI- B and Special Education Cluster			<u>\$ 86,456</u>	<u>\$ 57,834</u>
Drug Free Schools	049635 DR-S1-99	84.186	\$ 9,850	\$ 5,743
	049635 DR-S1-98	84.186	<u>0</u>	<u>4,902</u>
Total Drug Free Schools			<u>\$ 9,850</u>	<u>\$ 10,645</u>
Even Start Family Literacy	049635 EV-S3-99	84.213	\$ 136,107	\$ 73,686
	049635 EV-S2-98	84.213	<u>15,370</u>	<u>72,079</u>
Total Drug Free Schools			<u>\$ 151,477</u>	<u>\$ 145,765</u>

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES - *Continued*

For the Fiscal Year Ended June 30, 1999

<u>Agency/Program Grant Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA#</u>	<u>Receipts</u>	<u>Disbursements</u>
Goals 2000	049635 G2-S1-97	84.276	\$ 0	\$ 2,576
	049635 G2-S2-99	84.276	5,000	5,000
Total Goals 2000			<u>\$ 5,000</u>	<u>\$ 7,576</u>
<i>Eisenhower Professional Development</i>				
State Grants	049635 MS-S1-99	84.281	\$ 15,666	\$ 1,519
	049635 MS-S1-98	84.281	0	4,865
	049635 MS-S1-97	84.281	0	960
Total Eisenhower Professional Development State Grant			<u>\$ 15,666</u>	<u>\$ 7,344</u>
Innovative Education Program Strategy	049635 C2-S1-99	84.298	\$ 6,959	\$ 922
	049635 C2-S1-98	84.298	0	10,912
	049635 C2-S1-97	84.298	0	2,030
Total Innovative Education Program Strategy			<u>\$ 6,959</u>	<u>\$ 13,864</u>
Tech Literacy Challenge Fund	049636 TF-31-98P	34.318	\$ 150,000	\$ 0
Total U.S. Department of Education			<u>\$ 1,207,983</u>	<u>\$ 1,090,899</u>
<u>U. S. Department of Labor</u>				
Pass through the State				
Department of Education:				
School-to-work Grant	049635 STWI998FEB- 98-807001	17.249	\$ 20,000	\$ 20,000
Total U.S. Department of Labor			<u>\$ 20,000</u>	<u>\$ 20,000</u>
<u>U. S. Department of Health and Human Services</u>				
Pass through the State				
Department of Education:				
Jobs Reimbursement Program	049635 JB-S1-97	93.561	\$ 3,341	\$ 27,788
Total U.S. Department of Health and Human Services			<u>\$ 3,341</u>	<u>\$ 27,788</u>
Total Federal Financial Assistance			<u>\$ 1,581,223</u>	<u>\$ 1,487,975</u>

(A) Nonmonetary assistance is reported in the schedule at estimated fair market value of the commodities received and disbursed.

See accompanying Notes to Schedule of Federal Awards Expenditures

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

For the Fiscal Year Ended June 30, 1999

SIGNIFICANT ACCOUNTING POLICIES

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

FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had minimal food commodities in inventory, which are reported in the general purpose financial statements.

ADDITIONAL REPORTS

HARR & SCHERER, CPAs, INC.

Board of Education
Northwest Local School District
800 MoHawk Drive
McDermott, Ohio 45652

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Northwest Local School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that we have reported to management of the District in a separate letter dated November 30, 1999.

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

Circleville, Ohio
November 30, 1999

Harr & Scherer, CPAs

HARR & SCHERER, CPAs, INC.

Board of Education
Northwest Local School District
800 MoHawk Drive
McDermott, Ohio 45652

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

Compliance

We have audited the compliance of the Northwest Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Circleville, Ohio
November 30, 1999

Hunt Scheer, CPAs

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

NORTHWEST LOCAL SCHOOL DISTRICT
 SCIOTO COUNTY
 JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: Food Distribution Program (Commodities), CFDA # 10.550 School Breakfast Program, CFDA # 10.553 National School Lunch Program, CFDA # 10.555 Even Start Family Literacy, CFDA # 84.213
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505 - Continued

NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 1999

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

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

Finding Number	None
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JAN 27 2000