



**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Northwestern Local School District
Clark County
5610 Troy Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Northwestern Local School District, Clark County, (the District) as of and for the year ended June 30, 2000, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2000 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 4, 2000

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**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

Account Description	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,442,520	\$ 325,337		\$ 259,182
Cash and Cash Equivalents:				
With Fiscal Agents		715	\$ 788	
Receivables:				
Accounts	5,663			
Intergovernmental	41,712	26,757		
Interfund Receivable	236			
Property & Other Local Taxes	5,227,338			147,504
Inventory Held for Resale				
Materials and Supplies Inventory	43,333			
Prepaid Items	8,097			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	118,167			
Fixed Assets:				
Fixed Assets				
Other Debits:				
Provided from General Government Resources				
Total Assets and Other Debits	<u>\$ 6,887,066</u>	<u>\$ 352,809</u>	<u>\$ 788</u>	<u>\$ 406,686</u>
Liabilities:				
Accounts Payable	48,096	8,540		16,916
Accrued Wages and Benefits	901,439	22,334		
Compensated Absences Payable	49,038			
Interfund Payable		236		
Intergovernmental Payable	219,544	3,771		
Deferred Revenue	4,136,817			116,089
Due to Students				
Matured Interest Payable			788	
Accrued Interest Payable	613			
Capital Leases Payable				
Energy Conservation Loan Payable	71,171			
Total Liabilities	<u>5,426,718</u>	<u>34,881</u>	<u>788</u>	<u>133,005</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for non-expendable trust principal				
Reserved for Encumbrances	458,229	46,310		33,794
Reserved for Inventory	43,333			
Reserved for Property Taxes	1,094,592			31,415
Reserved for Budget Stabilization	118,167			
Unreserved:				
Designated	83,264			
Unreserved, Undesignated	(337,237)	271,618		208,472
Total Fund Equity and Other Credits	<u>1,460,348</u>	<u>317,928</u>	<u>788</u>	<u>273,681</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 6,887,066</u>	<u>\$ 352,809</u>	<u>\$ 788</u>	<u>\$ 406,686</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$ 56,334	\$ 44,346			\$ 2,127,719
				1,503
173				5,836
				68,469
				236
				5,374,842
3,849				3,849
3,360				46,693
				8,097
				118,167
7,472		\$ 13,146,317		13,153,789
			\$ 2,405,215	2,405,215
<u>\$ 71,188</u>	<u>\$ 44,346</u>	<u>\$ 13,146,317</u>	<u>\$ 2,405,215</u>	<u>\$ 23,314,415</u>
4,246				77,798
22,371				946,144
16,428			839,346	904,812
				236
31,188			82,318	336,821
3,875				4,256,781
	40,265			40,265
				788
				613
			1,483,551	1,483,551
				71,171
<u>78,108</u>	<u>40,265</u>		<u>2,405,215</u>	<u>8,118,980</u>
				13,146,317
(6,920)				(6,920)
	3,840			3,840
				538,333
				43,333
				1,126,007
				118,167
				83,264
	241			143,094
<u>(6,920)</u>	<u>4,081</u>	<u>13,146,317</u>		<u>15,195,435</u>
<u>\$ 71,188</u>	<u>\$ 44,346</u>	<u>\$ 13,146,317</u>	<u>\$ 2,405,215</u>	<u>\$ 23,314,415</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types			Totals (Memorandum)
	General Fund	Special Revenue	Capital Projects	
Revenues				
Intergovernmental	\$ 5,556,182	\$ 594,842	\$ 15,596	\$ 6,166,620
Interest	169,971			169,971
Tuition and Fees	237,870	12,144		250,014
Rent	6,985			6,985
Extracurricular Activities		212,480		212,480
Gifts and Donations		10,724		10,724
Property & Other Local Taxes	5,292,567		150,635	5,443,202
Miscellaneous	10,742	25,384		36,126
Total Revenues	<u>11,274,317</u>	<u>855,574</u>	<u>166,231</u>	<u>12,296,122</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,154,435	533,278	3,598	5,691,311
Special	814,033	222,078		1,036,111
Vocational	348,315			348,315
Other	15,972			15,972
Support services:				
Pupils	370,520	2,746		373,266
Instructional Staff	455,884	2,661		458,545
Board of Education	47,932			47,932
Administration	874,616	301	6	874,923
Fiscal	273,979		2,661	276,640
Operation and Maintenance of Plant	1,024,037	3,347		1,027,384
Pupil Transportation	821,256	100		821,356
Central	13,562			13,562
Non-Instructional Services		3,865		3,865
Extracurricular activities	233,276	93,400		326,676
Capital Outlay	12,272		311,114	323,386
Debt Service				
Debt Service - Principal	85,627			85,627
Debt Service - Interest	78,361			78,361
Total Expenditures	<u>10,624,077</u>	<u>861,776</u>	<u>317,379</u>	<u>11,803,232</u>
Excess of Revenues Over (Under) Expenditures	650,240	(6,202)	(151,148)	492,890
Other Financing Sources and (Uses)				
Operating Transfers In			22,000	22,000
Proceeds from Sale of Fixed Assets	495			495
Operating Transfers Out	(22,000)			(22,000)
Total Other Financing Sources (Uses)	<u>(21,505)</u>		<u>22,000</u>	<u>495</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	628,735	(6,202)	(129,148)	493,385
Fund Balance at Beginning of Year	812,563	346,130	402,829	1,561,522
Residual Equity Transfers-In	22,000			22,000
Residual Equity Transfers-Out		(22,000)		(22,000)
Decrease in Reserve for Inventory	(2,950)			(2,950)
Fund Balance at End of Year	<u>1,460,348</u>	<u>317,928</u>	<u>273,681</u>	<u>2,051,957</u>

See Accompanying Notes to the General Purpose Financial Statements

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**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENT FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Account Description	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Governmental):						
Intergovernmental	\$ 5,618,499	\$ 5,618,499		\$ 591,934	\$ 591,934	
Interest	169,356	169,356				
Tuition and Fees	197,501	197,501		12,144	12,144	
Rent	6,740	6,740				
Extracurricular Activities				213,204	213,204	
Gifts and Donations				10,724	10,724	
Customer Services						
Property & Other Local Taxes	4,973,029	4,973,029				
Miscellaneous	8,300	8,300		26,222	26,222	
Total Revenues	10,973,425	10,973,425		854,228	854,228	
Expenditures:						
Current:						
Instruction:						
Regular	5,215,205	5,215,208	\$ (3)	576,369	576,368	\$ 1
Special	866,411	866,410	1	223,861	223,861	
Vocational	352,921	352,921				
Other	26,057	26,057				
Support services:						
Pupils	364,133	364,133		2,746	2,746	
Instructional Staff	442,448	442,449	(1)	2,629	2,629	
Board of Education	51,694	51,694				
Administration	878,020	878,020		301	301	
Fiscal	277,003	277,001	2			
Operation and Maintenance of Plant	1,309,400	1,309,403	(3)	3,372	3,372	
Pupil Transportation	821,476	821,476		100	100	
Central	15,459	15,458	1			
Non-Instructional Services				4,144	4,144	
Extracurricular activities	243,771	243,771		114,949	114,948	1
Capital Outlay	221,816	221,816				
Debt Service						
Debt Service - Principal	125,481	125,481				
Debt Service - Interest	10,064	10,064				
Total Expenditures	11,221,359	11,221,362	(3)	928,471	928,469	2
Excess of Revenues Over (Under) Expenditures	(247,934)	(247,937)	(3)	(74,243)	(74,241)	2
Other Financing Sources and (Uses)						
Operating Transfers In	22,000	22,000				
Proceeds from Sale of Fixed Assets	495	495				
Refund of Prior Year Expenditures	2,442	2,442				
Advances In	4,844	4,844		236	236	
Other Financing Sources						
Operating Transfers Out	(22,000)	(22,000)		(22,000)	(22,000)	
Refund of Prior Year Receipts				4,072	4,072	
Advances Out	(237)	(237)		(4,844)	(4,844)	
Total Other Financing Sources (Uses)	7,544	7,544		(30,680)	(30,680)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(240,390)	(240,393)	(3)	(104,923)	(104,921)	2
Fund Balances at Beginning of Year	782,199	782,199		176,455	176,455	
Prior Year Encumbrances Appropriated	512,752	512,752		200,022	200,022	
Fund Balance at end of Year	\$ 1,054,561	\$ 1,054,558	\$ (3)	\$ 271,554	\$ 271,556	\$ 2

See Accompanying Notes to the General Purpose Financial Statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 15,596	\$ 15,596		\$ 6,226,029	\$ 6,226,029	
			169,356	169,356	
			209,645	209,645	
			6,740	6,740	
			213,204	213,204	
			10,724	10,724	
140,482	140,482		5,113,511	5,113,511	
			34,522	34,522	
156,078	156,078		11,983,731	11,983,731	
8,628	8,628		5,800,202	5,800,204	\$ (2)
			1,090,272	1,090,271	1
			352,921	352,921	
			26,057	26,057	
			366,879	366,879	
			445,077	445,078	(1)
			51,694	51,694	
6	6		878,327	878,327	
2,661	2,661		279,664	279,662	2
			1,312,772	1,312,775	(3)
			821,576	821,576	
			15,459	15,458	1
			4,144	4,144	
			358,720	358,719	1
339,878	339,878		561,694	561,694	
			125,481	125,481	
			10,064	10,064	
351,173	351,173		12,501,003	12,501,004	(1)
(195,095)	(195,095)		(517,272)	(517,273)	(1)
22,000	22,000		44,000	44,000	
			495	495	
			2,442	2,442	
			5,080	5,080	
			(44,000)	(44,000)	
			4,072	4,072	
			(5,081)	(5,081)	
22,000	22,000		(1,136)	(1,136)	
(173,095)	(173,095)		(518,408)	(518,409)	(1)
352,667	352,667		1,311,321	1,311,321	
28,901	28,901		741,675	741,675	
\$ 208,473	\$ 208,473		\$ 1,534,588	\$ 1,534,587	\$ (1)

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type
	Enterprise	Non-Expendable Trust
Account Description		
Operating Revenues:		
Tuition	\$ 32,096	
Sales	377,952	
Interest		\$ 221
Total Operating Revenues	410,048	221
Operating Expenses		
Salaries	162,329	
Fringe Benefits	73,806	
Purchased Services	14,247	
Materials and Supplies	14,593	
Cost of Sales	233,042	
Depreciation	1,473	
Capital Outlay		
Total Operating Expenses	499,490	
Operating Income (Loss)	(89,442)	221
Non-Operating Revenues and Expenses		
Interest	2,441	
Federal and State Subsidies	83,241	
Total Non-Operating Revenues and Expenses	85,682	
Net Income (Loss)	(3,760)	221
Retained Earnings at Beginning of Year	(3,160)	3,860
Retained Earnings at End of Year	\$ (6,920)	\$ 4,081

See Accompanying Notes to the General Purpose Financial Statements

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**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Account Description	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Tuition	\$ 32,241	\$ 32,241	\$
Sales	378,019	378,019	
Interest			
Total Operating Revenues	<u>410,260</u>	<u>410,260</u>	
Operating Expenses			
Salaries	167,445	167,445	
Fringe Benefits	72,178	72,178	
Purchased Services	16,437	16,439	(2)
Materials and Supplies	244,121	244,121	
Capital Outlay	2,819	2,819	
Total Operating Expenses	<u>503,000</u>	<u>503,002</u>	<u>(2)</u>
Operating Income (Loss)	(92,740)	(92,742)	(2)
Non-Operating Revenues and Expenses			
Interest	2,441	2,441	
Federal and State Subsidies	93,699	93,699	
Total Non-Operating Revenues and Expenses	<u>96,140</u>	<u>96,140</u>	
Excess of Operating and Non-Operating Revenues Over (Under) Operating and Non-Operating Expense	3,400	3,398	(2)
Fund Equity at Beginning of Year	27,785	27,785	
Prior Year Encumbrances Appropriated	19,658	19,658	
Fund Equity at End of Year	<u>\$ 50,843</u>	<u>\$ 50,841</u>	<u>\$ (2)</u>

See Accompanying Notes to the General Purpose Financial Statements

Non-Expendable Trust					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Totals (Memorandum Only)		
			Budget	Actual	Variance
\$	\$	\$	\$ 32,241	\$ 32,241	\$
			378,019	378,019	
221	221		221	221	
221	221		410,481	410,481	
			167,445	167,445	
			72,178	72,178	
			16,437	16,439	(2)
			244,121	244,121	
			2,819	2,819	
			503,000	503,002	(2)
221	221		(92,519)	(92,521)	(2)
			2,441	2,441	
			93,699	93,699	
			96,140	96,140	
221	221		3,621	3,619	(2)
3,861	3,861		31,646	31,646	
			19,658	19,658	
<u>\$ 4,082</u>	<u>\$ 4,082</u>	<u>\$</u>	<u>\$ 54,925</u>	<u>\$ 54,923</u>	<u>\$ (2)</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$410,260		\$410,260
Cash Payments for Employee Services and Benefits for Goods and Services	(239,621)		(239,621)
	(257,884)		(257,884)
Net Cash Used In Operating Activities	<u>(87,245)</u>		<u>(87,245)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	93,699		93,699
Net Cash Provided By Noncapital Financing Activities	<u>93,699</u>		<u>93,699</u>
Cash Flows from Investing Activities:			
Interest	2,441	\$221	2,662
Net Cash Provided By Investing Activities	<u>2,441</u>	<u>221</u>	<u>2,662</u>
Net Increase in Cash and Cash Equivalents	8,895	221	9,116
Cash and Cash Equivalents Beginning of Year	<u>47,439</u>	<u>3,860</u>	<u>51,299</u>
Cash and Cash Equivalents End of Year	<u>\$56,334</u>	<u>\$4,081</u>	<u>\$60,415</u>
Reconciliation of Operating Income (Loss) to Net <u>Cash Used In Operating Activities:</u>			
Operating Income (Loss)	(\$89,442)	\$221	(\$89,221)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	1,473		1,473
Nonexpendable Trust Funds Interest		(221)	(221)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	212		212
Decrease in Supplies Inventory	853		853
Increase in Inventory Held for Resale	(615)		(615)
Increase in Accounts Payable	3,762		3,762
Decrease in Accrued Salaries Payable	(3,420)		(3,420)
Increase in Intergovernmental Payable	1,884		1,884
Decrease in Compensated Absences Payable	(1,952)		(1,952)
Net Cash Used In Operating Activities	<u>(\$87,245)</u>		<u>(\$87,245)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$44,346	
Cash and Cash Equivalents-Agency		(40,265)	
Cash and Cash Equivalents-Nonexpendable Trust Funds		<u>\$4,081</u>	

See Accompanying Notes to the General Purpose Financial Statements

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Northwestern 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 is located in Clark County and is the 285th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 78 non-certificated employees, 123 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,927 students and other community members.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Northwestern Local School District, this includes general operations, food service, preschool 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 for the organization. The District has no component units.

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Clark County Family and Children First Council

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. 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

The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. 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 include nonexpendable trust and agency 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.

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Debt Account Group

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary fund 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 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 fiscal year end.

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 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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 funds.

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. 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 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. A portion of the budgetary information for the Preschool Grant, Special Revenue Fund is not reported because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary information. The primary level of budgetary control is at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. 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 Clark County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected the School District Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 is legally enacted by the Board of Education. The Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was at the fund, function level. 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. Some revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund 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 year, four supplemental appropriations were legally enacted, however, none of them were significant. The budget figures that 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 year for all funds other than agency funds, consistent with statutory provisions.

4. 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.

5. 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.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. 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 utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits. In addition, the balance of various grant activities administered by the fiscal agent is presented on the combined balance sheet as "Cash Equivalents with Fiscal Agents" and represents deposits of the Clark County ESC.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2000, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 that is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$169,971, which includes \$2,601 assigned from other School District funds. The nonexpendable trust fund received interest revenue of \$221. The Food Service proprietary fund received \$2,441 interest.

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.

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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 \$500, an increase from \$250 on July 1, 1999. The School District does not have any infrastructure.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. 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

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Title VI-R Class Size Reduction
- Teacher Development Grant
- Ohio Reads
- Technical Literacy
- Library Grant
- Family and School Partnership
- Eisenhower Grant
- Goals 2000 Intervention
- Data Communications
- Textbook Subsidy
- Preschool
- Drug Free Schools

Capital Projects Funds

- Permanent Improvements
- School Net Plus

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education

Special Revenue

E-Rate

Enterprise Fund

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 51 percent of governmental fund revenue during the 2000 fiscal year.

I. Compensated Absences-Vacation

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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

J. Compensated Absences-Sick Leave

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. 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 pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt 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 been paid using current available financial resources. Capital leases are reported as a liability of the general long-term debt account group until due.

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation 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. The reserve for donations signifies the legal restrictions on the use of principal.

O. Fund Designations

The School district designates fund balance to indicate tentative planned expenditures of financial resources. The designations reflect the school district's intentions, are subject to change and are reported as part of unreserved fund balance. Fund designations are established for budget stabilization.

The designation for budget stabilization represents money set-aside for budget stabilization in excess of statutory requirements.

P. 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 may differ from those estimates.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (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 elimination has not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

At June 30, 2000, the Professional Development, Title VI, Title VI-R, and Library Grant special revenue funds and the Lunchroom enterprise fund have deficit fund balance/retained earnings of \$8, \$1,510, \$285, \$32, and \$7,637, respectively, which were 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.

Additionally, the District has not filed its final expenditure report for the Technical Literacy Challenge grant.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of 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 (Budget Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Budget Basis) and Actual - 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).

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

The school district does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Northwestern Local School District are included in the special revenue funds activity for GAAP reporting purposes (GAAP basis).

Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$628,735	\$(6,202)	\$(129,148)
Revenue Accruals	(298,450)	7,763	(10,153)
Expenditure Accruals	34,138	(25,994)	16,916
Principal Payments	(125,481)	0	0
Prepaid Items	(437)	0	0
Transfers in	22,000	0	0
Transfers out	0	(22,000)	0
Advances in	4,844	236	0
Advances out	(236)	(4,844)	0
Non-budgeted Fund Activity	0	(101)	0
Encumbrances	<u>(505,506)</u>	<u>(53,779)</u>	<u>(50,710)</u>
Budget Basis	(240,393)	(104,921)	(173,095)

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

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	\$(3,760)	\$221
Revenue Accruals	10,670	0
Expense Accruals	746	0
Materials and Supplies	(853)	0
Inventory Held for Resale	615	0
Depreciation	1,473	0
Encumbrances	<u>(5,493)</u>	<u>0</u>
Budget Basis	<u>\$3,398</u>	<u>\$221</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENT

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. Time certificates of deposit maturing not more than one year from the date of deposit, or must evidence interim deposits by savings or deposit accounts including passbook accounts.

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

State statute permits interim monies to 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 security issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuance 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); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

During fiscal year 2000, investments were limited to STAR Ohio.

Cash on Hand: At year end, the School District did not have any undeposited cash on hand.

The "Cash and Cash Equivalents with Fiscal Agent" of \$715 shown in the special revenue funds is maintained with the Clark County Educational Service Center. GASB No. 3 disclosures regarding this amount can be obtained from their annual report.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$970,217 and the bank balance was \$1,345,840. Of the bank balance, \$219,966 was covered by federal depository insurance and \$1,125,874 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 would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below 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 School District or its agent in the School District's name holds the securities. Category 2 includes uninsured and unregistered investments that 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 only School District investment at year end was STAR Ohio, an investment pool operated by the Ohio State Treasurer. It is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in Star Ohio had a market value of \$1,276,457 at June 30, 2000.

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. Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,247,389	\$0
Investment:		
STAR Ohio	<u>(1,276,457)</u>	<u>1,276,457</u>
GASB Statement 3	<u>\$970,217</u>	<u>\$1,276,457</u>

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, 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 utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2000 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Clark and Champaign Counties. The Clark County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2000 was \$1,126,007 and is recognized as revenue. \$1,094,592 was available to the general fund and \$31,415 was available to the permanent improvement capital projects fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$141,678,120	84.18%	\$143,657,760	82.82%
Public Utility Personal	8,904,210	5.29	9,080,620	5.24%
Tangible Personal Property	<u>17,720,441</u>	<u>10.53</u>	<u>20,715,428</u>	<u>11.94%</u>
Total Assessed Value	<u>\$168,302,771</u>	<u>100.00%</u>	<u>\$173,453,808</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$35.80		\$35.80	

7. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (student fees), interfund 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.

8. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$105,429
Less Accumulated Depreciation	<u>(97,957)</u>
Net Fixed Assets	<u>\$7,472</u>

A summary of the change in general fixed assets during fiscal year 2000 follows:

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. FIXED ASSETS

Asset Category	Balance at <u>6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/00</u>
Land and Improvements	\$515,393	\$5,450	\$0	\$520,843
Buildings	9,154,249	88,520	0	9,242,769
Vehicles	1,050,165	107,112	58,736	1,098,541
Furniture and Equipment	1,924,620	404,651	45,107	2,284,164
Total General Fixed Assets	<u>\$12,644,427</u>	<u>\$605,733</u>	<u>\$103,843</u>	<u>\$13,146,317</u>

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance Company for property, general liability, professional and fleet insurance. Coverage provided by Nationwide is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$24,219,300
Boiler and Machinery (\$250 deductible)	30,000,000
Automobile Liability (\$250 deductible)	1,000,000
Professional Liability (no deductible)	
Single Occurrence	1,000,000
Aggregate	5,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management of Ohio provides administrative, cost control, and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2000, 1999, and 1998 were \$73,220, \$95,156 and \$47,168, respectively; 35.34 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$147,423 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$346,841, \$276,256 and \$120,959, respectively; 83.26 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$135,444 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective fund.

11. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$462,455 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$140,077.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators. 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 230 days for all personnel. Upon retirement, payment is made for 25 percent for teachers and 25 percent for other employees of accrued, but unused sick leave credit to a maximum of 53 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Core Source. Medical/surgical benefits are provided through United Health Care and dental insurance through EPC Benefits Plan Trust.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. CAPITAL LEASES - LESSEE DISCLOSURE

In the past, the District has entered into Capitalized Leases for copiers and an addition to the Elementary School.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reported as program/function expenditures on a budgetary basis.

A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 2000 totaled \$85,627 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, 2000.

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>
2001	\$158,087
2002	149,027
2003	145,415
2004	146,608
2005	147,466
2006	148,005
2007	148,264
2008	148,210
2009	147,838
2010	147,168
2011	146,196
2012	145,013
2013	148,393
2014	<u>97,446</u>
Total	\$2,023,136
Less: Amount Representing Interest	<u>(539,585)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,483,551</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. NOTE DEBT

As of June 30, 2000, the School District had an outstanding energy conservation notes payable.

The changes in the School District's short-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding <u>6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/00</u>
Energy Conservation Note 1993 4.96%	\$54,462	0	\$54,462	\$0
Energy Conservation Note 1996 5.17%	<u>142,090</u>	<u>0</u>	<u>70,919</u>	<u>71,171</u>
Total Short-Term Obligations	<u>\$196,552</u>	<u>\$0</u>	<u>\$125,381</u>	<u>\$71,171</u>

Energy Conservation Note 1993

On June 18, 1993, Northwestern Local School district issued \$136,155 in unvoted General obligation notes for the purpose of providing energy conservation measures for the Northwestern Local School District, under authority of the Ohio Revised Code sections 133.06(g) and 3313.372. The notes were issued for seven year period with final maturity during fiscal year 2000.

Energy Conservation Note 1996

On May 6, 1996, Northwestern Local School district issued \$355,475 in unvoted General obligation notes for the purpose of providing energy conservation measures for the Northwestern Local School District, under authority of the Ohio Revised Code sections 133.06(g) and 3313.372. The notes were issued for five year period with final maturity during fiscal year 2001. The notes will be retired from the General Fund.

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding <u>6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	Amount Outstanding <u>6/30/00</u>
Capital Leases	1,569,178	0	85,627	1,483,551
Intergovernmental Payable	62,931	82,318	62,931	82,318
Compensated Absences	<u>791,706</u>	<u>47,640</u>	<u>0</u>	<u>839,346</u>
Total General Long-Term Obligations	<u>\$2,423,815</u>	<u>\$129,958</u>	<u>\$148,558</u>	<u>\$2,405,215</u>

Capital leases will be paid from the General Fund. Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$15,610,843 with an unvoted debt margin of \$173,454 and an energy conservation debt margin of \$1,489,913 at June 30, 2000.

16. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2000, the following fund had Interfund Payables:

	<u>Receivable</u>	<u>Payable</u>
Special Revenue, Principal Fund		\$236
General Fund	\$236	

17. CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining</u>
PDQ Electric	Elementary Addition	\$18,969

18. SEGMENT INFORMATION

The School District maintains three enterprise funds to account for the operations of food service, adult education, and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000:

	<u>Food Service</u>	<u>Adult Education</u>	<u>Latchkey</u>	<u>Total Enterprise</u>
Operating Revenues	\$377,952	\$4,090	\$28,006	\$410,048
Operating Expenses before Depreciation	469,720	4,079	24,218	498,017
Depreciation	1,182		291	1,473
Operating Income (Loss)	(92,946)	11	3,497	(89,442)
Federal and State Subsidies	83,241			83,241
Net Income (Loss)	(7,264)	11	3,497	(3,760)
Fixed Asset Deletions			1,538	1,538
Net Working Capital (Deficit)	(383)	11	2,408	2,036
Long-Term Liabilities Payable from Revenue	13,851		2,577	16,428
Total Assets	64,852	419	5,917	71,188
Total Equity (Deficit)	(7,637)	11	706	(6,920)
Encumbrances Outstanding at June 30	4,723		770	5,493

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. 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 districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$17,441 for services provided during the year.

Financial information can be obtained from Norma Hostetler, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. The Fiscal Agent holds title to any and all equipment, furniture and supplies purchased by the SOEPC in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, the School District paid its medical insurance through the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. The qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren, elect from nineteen representatives within the counties. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All Superintendents, except for those from educational service centers, vote on the representatives after the nominating committee nominates individuals to run. The non-public school SOITA members in the State assigned SOITA service area elect one at-large non-public representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2000, the School District paid \$4,197 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council – The Clark County Family and Children First Council (the Council) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Northwestern Local School District does not pay any dues since the Clark County Educational Service Center represents the District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

20. CONTINGENCIES

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 are 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, 2000.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

21. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

		Capital	Budget
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$118,167
Current Year Set-aside Requirement	243,438	243,438	0
Current Year Offsets	0	(178,078)	0
Qualifying Disbursements	(268,782)	(391,295)	0
Additional Money Set-Aside	<u>0</u>	<u>0</u>	<u>83,264</u>
Total	<u>(\$25,344)</u>	<u>(\$325,935)</u>	<u>\$201,431</u>
Reserve Balance Carried Forward to FY 2001	\$0	\$0	\$201,431
Less Additional Set-Aside	<u>0</u>	<u>0</u>	<u>(83,264)</u>
Total Restricted Assets	<u>\$0</u>	<u>\$0</u>	<u>\$118,167</u>

Amounts of offsets and qualifying disbursements for capital acquisition and textbooks in the table reduced the year end amount of the set aside to below zero. The School District has decided to carry over those negative balances to the next year. The total reserve balance for the budget stabilization set aside is above the required amount.

The School District also set-aside additional money in excess of statutory requirements for budget stabilization. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is therefore not included in restricted assets.

22. STATE SCHOOL FUNDING 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 the 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, 2000, the School District received \$4,980,818 of school foundation support for its general fund.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

22. STATE SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant(ing) further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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 this program and on its financial operations.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Cash In-Lieu of Commodities	N/A	10.550	\$19,736	\$19,736
National School Lunch Program	03-PU-99	10.555	7,437	7,437
	03-PU-00		17,728	17,728
	04-PU-99		12,140	12,140
	04-PU-00		33,296	33,296
Total National School Lunch			<u>70,601</u>	<u>70,601</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>90,337</u>	<u>90,337</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 1999	84.010	14,524	23,698
	C1-S1 2000		98,992	97,071
Total Grants to Local Educational Agencies			<u>113,516</u>	<u>120,769</u>
Innovative Educational Program Strategies	C2-S1-1999	84.298	1,281	1,281
	C2-S1-2000		2,836	1,558
Total Innovative Program Strategies			<u>4,117</u>	<u>2,839</u>
Class Size Reduction	CR-S1-2000	84.340	27,584	23,626
Drug Free Education	DR-S1-2000	84.186	8,136	8,136
Goals 2000	G2-S8-1999	84.276		1,851
	G2-S8-2000		3,000	2,644
Total Goals 2000			<u>3,000</u>	<u>4,495</u>
Technology Literacy Challenge	TF-31-1999	84.318		86,882
	TF-32-1999		100,000	100,000
	TF-33-1999		62,500	62,500
	TF-34-1999		62,500	62,500
Total Technology Literacy Challenge			<u>225,000</u>	<u>311,882</u>
Eisenhower Professional Development	MS-S1-2000	84.281	6,810	5,391
	MS-S1-96		543	
	MS-S1-98		600	3,088
Total Eisenhower Professional Development			<u>7,953</u>	<u>8,479</u>
<i>Passed Through Clark County Educational Service Center:</i>				
Special Education Cluster:				
Preschool Grant	PG-S1-1999	84.173	1,933	1,933
	PG-S1-2000		7,781	7,074
			<u>9,714</u>	<u>9,007</u>
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States (IDEA Part B)	6B-SF-2000	84.027	95,939	95,939
Total Special Education Cluster			<u>105,653</u>	<u>104,946</u>
Total U.S. Department of Education			<u>494,959</u>	<u>585,172</u>
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
<i>Passed Through State Library of Ohio:</i>				
Library Services & Technology Act	1-GG-98	45.310	4,419	7,756
Total Federal Financial Assistance			<u><u>\$589,715</u></u>	<u><u>\$683,265</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A-SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B-NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Northwestern Local School District
Clark County
5610 Troy Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the financial statements of Northwestern Local School District, Clark County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 4, 2000. 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 4, 2000.

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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10312-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2000.

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

Jim Petro
Auditor of State

December 4, 2000



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

Northwestern Local School District
Clark County
5610 Troy Road
Springfield, Ohio 45502

To the Board of Education:

Compliance

We have audited the compliance of the Northwestern Local School District, Clark County, (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 its major federal program for the year ended June 30, 2000. The District's major federal program is 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2000-10312-002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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 management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 4, 2000

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	Yes
(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?	Yes
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Grant CFDA #84.318
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10312-001
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STUDENT ACTIVITY RECORDS

The School District did not maintain complete documentation to support student managed activities. The results of our tests revealed the following weaknesses:

- Sales potential forms were not prepared for fund raising activities;
- Financial activity maintained by the advisor was not being reconciled to the treasurer's monthly account summary reports;
- Documentation to support receipts was not maintained;
- Reconciliations between expected and actual receipts were not being prepared.

Failure to follow control procedures and maintain complete and accurate supporting documentation could result in activity being misstated, allow activity assets to be misused or allow unauthorized fund raising activities. To reduce risk the District should:

- Require a sales potential form be completed for each sales event. This form should include a description of the sales event, an estimate of money to be raised, the cost and sale price of items sold.
- Student activity advisors should maintain an accounting of the financial activity and perform monthly reconciliations to the financial information provided by the treasurer. Any discrepancies should be communicated to the treasurer's office immediately.
- Documentation to support financial activity maintained in the ledger described above should be supported by documentation such as receipts, invoices, etc.
- At the end of each sales event a reconciliation of expected and actual revenue should be performed.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2000-10312-002
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GRANT REPORTING

34 CFR 80.41 states that grantees (the State of Ohio) may be required to submit annual reports. Additionally, Local Education Authorities (LEAs) participating must submit Final Expenditure Reports to Ohio SchoolNet for each drawdown within sixty days of the end of the draw project period unless extended by the Ohio SchoolNet. The District, which served as the LEA, had not filed a Final Expenditure Report for the June, 2000 draw. This report was due by September 30, 2000.

Not filing reports in a timely and accurate manner could jeopardize the District's eligibility for future funding or result in a required repayment of current funding. The District should complete all required reports in a timely and accurate manner to the granting agency. Additionally, procedures should be implemented to provide for independent review of the reports prior to filing with granting agency.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY
JUNE 30, 2000**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10312-001	Lack of Student Activity Records	No	<p>In the summer of 1999, a handbook was created for all student activity advisors. This handbook included detailed procedures to be followed for student activities. Copies of all forms were also included. At the beginning of the school year, a meeting was held with all advisors to cover this information and stress the importance of following the procedures.</p> <p>Throughout the year, all activities completed "Purpose and Budget Statements" and they received monthly reports to reconcile to their records. Sales activity reports were completed by some of the activities.</p> <p>We feel that we have made improvements, but agree that there is still work to be done.</p>



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NORTHWESTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 09, 2001**