



**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2001, 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.

During the year ended June 30, 2001, the District implemented Governmental Accounting Board Statements No. 33, *Accounting and Reporting for Nonexchange Transactions* and No. 36, *Recipient Reporting for Certain Nonexchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2002 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

January 15, 2002

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**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

Account Description	Governmental Fund Types			Proprietary Fund Type
	General Fund	Special Revenue	Capital Projects	Enterprise
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	\$2,007,737	\$332,855	\$347,332	\$52,482
Receivables:				
Accounts	7,561	223		1,085
Intergovernmental	2,399	21,897	15,015	
Property & Other Local Taxes	5,129,299		146,779	
Inventory Held for Resale				2,493
Materials and Supplies Inventory	42,567			2,527
Prepaid Items	8,433			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	39,318			
Fixed Assets (Net of Accumulated Depreciation where applicable)				6,000
Other Debits: Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>7,237,314</u>	<u>354,975</u>	<u>509,126</u>	<u>64,587</u>
Liabilities:				
Accounts Payable	16,941			99
Accrued Wages and Benefits	997,174	22,469		22,454
Compensated Absences Payable	14,528			7,237
Intergovernmental Payable	227,749	7,047		31,706
Deferred Revenue	4,607,967	3,940	132,206	
Due to Students				
Capital Leases Payable				
Total Liabilities	<u>5,864,359</u>	<u>33,456</u>	<u>132,206</u>	<u>61,496</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				3,091
Fund Balances:				
Reserved:				
Reserved for Encumbrances	302,419	91,870	43,113	
Reserved for Inventory	42,567			
Reserved for Contributions				
Reserved for Property Taxes	527,187		14,573	
Reserved for Budget Stabilization	39,318			
Unreserved:				
Designated	162,113			
Unreserved, Undesignated	299,351	229,649	319,234	
Total Fund Equity and Other Credits	<u>1,372,955</u>	<u>321,519</u>	<u>376,920</u>	<u>3,091</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,237,314</u>	<u>\$354,975</u>	<u>\$509,126</u>	<u>\$64,587</u>

See Accompanying Notes to the General Purpose Financial Statements.

Fiduciary	Account Groups		Totals (Memorandum)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency			
\$34,740			\$2,775,146
			8,869
			39,311
			5,276,078
			2,493
			45,094
			8,433
			39,318
	\$14,048,492		14,054,492
		\$1,990,096	1,990,096
<u>34,740</u>	<u>14,048,492</u>	<u>1,990,096</u>	<u>24,239,330</u>
			17,040
			1,042,097
		518,011	539,776
		77,083	343,585
			4,744,113
30,415			30,415
<u>30,415</u>		<u>1,395,002</u>	<u>1,395,002</u>
		1,990,096	8,112,028
	14,048,492		14,048,492
			3,091
			437,402
			42,567
3,940			3,940
			541,760
			39,318
			162,113
<u>385</u>			<u>848,619</u>
<u>4,325</u>	<u>14,048,492</u>		<u>16,127,302</u>
<u>\$34,740</u>	<u>\$14,048,492</u>	<u>\$1,990,096</u>	<u>\$24,239,330</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Totals (Memorandum)
	General Fund	Special Revenue	Capital Projects	
Revenues (Governmental):				
Intergovernmental	\$6,197,361	\$424,299	\$120,648	\$6,742,308
Interest	188,482			188,482
Tuition and Fees	93,932	12,184		106,116
Rent	2,315			2,315
Extracurricular Activities		183,862		183,862
Gifts and Donations	20,000			20,000
Property & Other Local Taxes	4,518,306		127,457	4,645,763
Miscellaneous	86,253	83,658		169,911
Total Revenues	11,106,649	704,003	248,105	12,058,757
Expenditures:				
Current:				
Instruction:				
Regular	5,177,363	367,934	53,540	5,598,837
Special	988,579	257,411		1,245,990
Vocational	374,926			374,926
Other	8,742			8,742
Support services:				
Pupils	386,927	1,003		387,930
Instructional Staff	513,847	11,733		525,580
Board of Education	64,547			64,547
Administration	897,561		39	897,600
Fiscal	297,421		2,838	300,259
Operation and Maintenance of Plant	1,256,895	980		1,257,875
Pupil Transportation	787,423	480		787,903
Central	16,691	4,192		20,883
Non-Instructional Services		356		356
Extracurricular activities	236,280	85,792		322,072
Capital Outlay	24,800		88,450	113,250
Debt Service				
Debt Service - Principal	88,549			88,549
Debt Service - Interest	72,717			72,717
Total Expenditures	11,193,268	729,881	144,867	12,068,016
Excess of Revenues Over/(Under) Expenditures	(86,619)	(25,878)	103,238	(9,259)
Fund Balance at Beginning of Year (as restated)	1,460,341	347,397	273,682	2,081,420
Decrease in Reserve for Inventory	(767)	0	0	(767)
Fund Balance at End of Year	\$1,372,955	\$321,519	\$376,920	\$2,071,394

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, 2001**

Account Description	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Governmental):						
Intergovernmental	\$6,198,411	\$6,198,411		\$476,775	\$454,878	(\$21,897)
Interest	188,685	188,685				
Tuition and Fees	132,248	132,248		12,184	12,184	
Rent	2,490	2,490				
Extracurricular Activities				183,639	183,639	
Gifts and Donations	20,000	20,000				
Customer Services						
Property & Other Local Taxes	5,085,711	5,085,711				
Miscellaneous	85,027	85,027		83,658	83,658	
Total Revenues	11,712,572	11,712,572		756,256	734,359	(21,897)
Expenditures:						
Current:						
Instruction:						
Regular	5,390,112	5,265,826	\$124,286	518,410	435,451	82,959
Special	998,051	979,666	18,385	265,900	249,257	16,643
Vocational	379,254	374,103	5,151			
Other	25,085	8,742	16,343			
Support services:						
Pupils	390,660	388,821	1,839	2,500	1,003	1,497
Instructional Staff	539,488	527,398	12,090	23,697	13,002	10,695
Board of Education	77,157	67,986	9,171			
Administration	937,220	897,875	39,345			
Fiscal	307,410	303,352	4,058			
Operation and Maintenance of Plant	1,583,902	1,415,321	168,581	525	1,080	(555)
Pupil Transportation	828,423	806,207	22,216	235	117	118
Central	17,396	16,691	705	4,255	4,192	63
Non-Instructional Services				356	356	
Extracurricular activities	258,287	236,138	22,149	127,256	114,016	13,240
Capital Outlay	248,954	177,872	71,082			
Debt Service						
Debt Service - Principal	69,292	71,171	(1,879)			
Debt Service - Interest	8,803	3,640	5,163			
Total Expenditures	12,059,494	11,540,809	518,685	943,134	818,474	124,660
Excess of Revenues Over (Under) Expenditures	(346,922)	171,763	518,685	(186,878)	(84,115)	102,763
Other Financing Sources and Uses						
Refund of Prior Year Expenditures						
Advances In	236	236				
Other Financing Sources						
Advances Out	(10,000)		10,000	(237)	(236)	1
Total Other Financing Sources (Uses)	(9,764)	236	10,000	(237)	(236)	1
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(356,686)	171,999	528,685	(187,115)	(84,351)	102,764
Fund Balances at Beginning of Year	1,054,558	1,054,558		271,556	271,556	
Prior Year Encumbrances Appropriated	505,506	505,506		53,779	53,779	
Fund Balance at end of Year	\$1,203,378	\$1,732,063	\$528,685	\$138,220	\$240,984	\$102,764

See Accompanying Notes to the General Purpose Financial Statements.

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$105,633	\$105,633		\$6,780,819	\$6,758,922	(\$21,897)
			188,685	188,685	
			144,432	144,432	
			2,490	2,490	
			183,639	183,639	
			20,000	20,000	
144,299	144,299		5,230,010	5,230,010	
			168,685	168,685	
249,932	249,932		12,718,760	12,696,863	(21,897)
88,902	81,402	\$7,500	5,997,424	5,782,679	214,745
			1,263,951	1,228,923	35,028
			379,254	374,103	5,151
			25,085	8,742	16,343
			393,160	389,824	3,336
			563,185	540,400	22,785
			77,157	67,986	9,171
40	39	1	937,260	897,914	39,346
3,000	2,838	162	310,410	306,190	4,220
			1,584,427	1,416,401	168,026
			828,658	806,324	22,334
			21,651	20,883	768
			356	356	
			385,543	350,154	35,389
127,480	120,616	6,864	376,434	298,488	77,946
			69,292	71,171	(1,879)
			8,803	3,640	5,163
219,422	204,895	14,527	13,222,050	12,564,178	657,872
30,510	45,037	14,527	(503,290)	132,685	635,975
			236	236	
			(10,237)	(236)	10,001
			(10,001)		10,001
30,510	45,037	14,527	(513,291)	132,685	645,976
208,473	208,473		1,534,587	1,534,587	
50,710	50,710		609,995	609,995	
\$289,693	\$304,220	\$14,527	\$1,631,291	\$2,277,267	\$645,976

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
Account Description		
Operating Revenues:		
Tuition	\$28,547	
Sales	397,613	
Interest		\$243
Total Operating Revenues	<u>426,160</u>	<u>243</u>
Operating Expenses		
Salaries	155,242	
Fringe Benefits	76,988	
Purchased Services	11,624	
Materials and Supplies	4,017	
Cost of Sales	256,033	
Depreciation	1,473	
Other	23	
Total Operating Expenses	<u>505,400</u>	
Operating Income (Loss)	(79,240)	243
Non-Operating Revenues		
Interest	2,734	
Federal and State Subsidies	75,173	
Total Non-Operating Revenues	<u>77,907</u>	
Net Income (Loss)	(1,333)	243
Retained Earnings at Beginning of Year (as restated)	<u>4,424</u>	<u>4,082</u>
Retained Earnings at End of Year	<u>\$3,091</u>	<u>\$4,325</u>

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, 2001**

Account Description	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:			
Tuition	\$28,303	\$28,303	
Sales	397,624	397,624	
Interest			
Total Operating Revenues	<u>425,927</u>	<u>425,927</u>	
Operating Expenses			
Salaries	165,079	156,738	\$8,341
Fringe Benefits	83,023	76,618	6,405
Purchased Services	23,570	12,076	11,494
Materials and Supplies	255,320	262,460	(7,140)
Other	580	23	557
Capital Outlay	<u>2,000</u>	<u>2,093</u>	<u>(93)</u>
Total Operating Expenses	<u>529,572</u>	<u>510,008</u>	<u>19,564</u>
Operating Income (Loss)	(103,645)	(84,081)	19,564
Non-Operating Revenues			
Interest	2,734	2,734	
Federal and State Subsidies	<u>75,173</u>	<u>75,173</u>	
Total Non-Operating Revenues	<u>77,907</u>	<u>77,907</u>	
Excess of Operating and Non-Operating Revenues Over (Under) Operating and Non-Operating Expenses	(25,738)	(6,174)	19,564
Fund Equity at Beginning of Year	50,845	50,845	
Prior Year Encumbrances Appropriated	<u>5,493</u>	<u>5,493</u>	
Fund Equity at End of Year	<u>\$30,600</u>	<u>\$50,164</u>	<u>\$19,564</u>

See Accompanying Notes to the General Purpose Financial Statements.

Non- Expendable Trust			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$28,303	\$28,303	
			397,624	397,624	
\$243	\$243		243	243	
243	243		426,170	426,170	
			165,079	156,738	\$8,341
			83,023	76,618	6,405
			23,570	12,076	11,494
			255,320	262,460	(7,140)
100		\$100	680	23	657
			2,000	2,093	(93)
100		100	529,672	510,008	19,664
143	243	100	(103,502)	(83,838)	19,664
			2,734	2,734	
			75,173	75,173	
			77,907	77,907	
143	243	100	(25,595)	(5,931)	19,664
4,082	4,082		54,927	54,927	
			5,493	5,493	
<u>\$4,225</u>	<u>\$4,325</u>	<u>\$100</u>	<u>\$34,825</u>	<u>\$54,489</u>	<u>\$19,664</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, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	425,927		425,927
Other Operating Revenues			
Other Operating Receipts			
Cash Payments for Employee Services and Benefits	(233,356)		(233,356)
Cash Payments to Suppliers for Goods and Services	(274,335)		(274,335)
Other Operating Expenses			
Net Cash Used In Operating Activities	(81,764)		(81,764)
Cash Flows from Noncapital Financing Activities:			
Advances - Out			
Transfers - In			
Federal and State Subsidies Received	75,173		75,173
Net Cash Provided By Noncapital Financing Activities	75,173		75,173
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets			
Net Cash Used In Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Interest	2,734	243	2,977
Purchase of Investments			
Net Cash Provided By Investing Activities	2,734	243	2,977
Net Increase in Cash and Cash Equivalents	(3,857)	243	(3,614)
Cash and Cash Equivalents Beginning of Year	56,339	4,082	60,421
Cash and Cash Equivalents End of Year	\$52,482	\$4,325	\$56,807
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$79,240)	\$243	(\$78,997)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	1,473		1,473
Donated Commodities Used			
Nonexpendable Trust Funds Interest		(243)	(243)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(912)		(912)
Decrease in Supplies Inventory	833		833
Decrease in Inventory Held for Resale	1,355		1,355
Decrease in Prepaid Items			
Decrease in Accounts Payable	(4,147)		(4,147)
Increase in Accrued Salaries Payable	83		83
Increase in Intergovernmental Payable	518		518
Decrease in Compensated Absences Payable	(1,727)		(1,727)
Net Cash Used In Operating Activities	(\$81,764)	\$0	(\$81,764)
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$34,740	
Cash and Cash Equivalents-Agency		(30,415)	
Cash and Cash Equivalents-Nonexpendable Trust Funds		\$4,325	

See Accompanying Notes to the General Purpose Financial Statements.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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 76 non-certificated employees, 125 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,970 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. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(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.

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).

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The full accrual basis of accounting is followed for the enterprise and non-expendable trust funds.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provide to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Preschool Special Revenue Fund grant activity is not budgeted 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 increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(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, first two digits of 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. The treasurer has been given the authority to further allocate appropriations to objects within each fund and function. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds and the preschool special revenue fund, 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2001, 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$188,482. The nonexpendable trust fund received interest revenue of \$243. The Food Service proprietary fund received \$2,734 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, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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. The School District does not have any infrastructure.

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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.

I. 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.

J. 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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 that 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.

M. 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.

N. 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.

O. 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

At June 30, 2001, the Class Size Reduction special revenue fund and the Lunchroom and Adult Education enterprise funds have deficit fund balance/retained earnings of \$2,291, \$3,136, and \$39, respectively. The General Fund is liable for any deficit in the special revenue fund and provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The result of the deficits in the enterprise funds is the result of revenues not covering operational costs. The District will continue to monitor these deficits and take appropriate actions if necessary.

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:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. 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).
- d. 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).
- e. 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).
- f. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$(86,619)	\$(25,878)	\$103,238
Revenue Accruals	605,923	29,641	1,827
Expenditure Accruals	37,874	3,277	(16,916)
Principal Payments	(71,171)	0	0
Prepaid Items	336	0	0
Transfers in	0	0	0
Transfers out	0	0	0
Advances in	236	0	0
Advances out	0	(236)	0
Non-budgeted Fund Activity	0	715	0
Encumbrances	(314,580)	(91,870)	(43,112)
Budget Basis	<u>\$171,999</u>	<u>\$(84,351)</u>	<u>\$45,037</u>

**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	\$(1,333)	\$243
Revenue Accruals	(233)	0
Expense Accruals	(1,574)	0
Materials and Supplies	(833)	0
Inventory Held for Resale	(1,356)	0
Capital Outlay	0	0
Prepaid Items	0	0
Depreciation	1,473	0
Advances out	0	0
Encumbrances	(2,318)	0
Budget Basis	<u>\$(6,174)</u>	<u>\$243</u>

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENT (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by, but not limited to, 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:

- a. 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;
- b. 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;
- e. 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;
- f. The State Treasurer's investment pool (STAR Ohio); and
- g. 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.

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENT (Continued)

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.

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 \$1,613,762 and the bank balance was \$2,022,441. Of the bank balance, \$354,439 was covered by federal depository insurance and \$1,668,002 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 \$1,200,702 at June 30, 2001.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,814,464	\$0
Investment:		
STAR Ohio	(1,200,702)	1,200,702
GASB Statement 3	\$1,613,762	\$1,200,702

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

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

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

Real property taxes are payable annually or 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001, and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30, were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2001 was \$541,760 and is recognized as revenue. \$527,187 was available to the general fund and \$14,573 was available to the permanent improvement capital projects fund.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

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

	2000 Second- Half Collections		2001 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$143,657,760	82.82%	\$145,292,120	84.49%
Public Utility Personal	9,080,620	5.24	7,825,030	4.55
Tangible Personal Property	<u>20,715,428</u>	<u>11.94</u>	<u>1 8,846,110</u>	<u>10.96</u>
Total Assessed Value	<u>\$173,453,808</u>	100.00%	<u>\$171,963,260</u>	100.00%
Tax rate per \$1,000 of Assessed valuation	\$35.80		\$35.35	

7. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (student fees), 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, 2001, follows:

Furniture and Equipment	\$102,332
Less Accumulated Depreciation	<u>(96,332)</u>
Net Fixed Assets	<u>\$ 6,000</u>

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

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$520,843	\$106,918	\$0	\$627,761
Buildings	9,242,769	539,833	0	9,782,602
Vehicles	1,098,541	53,678	15,875	1,136,344
Furniture and Equipment	<u>2,284,164</u>	<u>271,348</u>	<u>53,727</u>	<u>2,501,785</u>
Total General Fixed Assets	<u>\$13,146,317</u>	<u>\$971,777</u>	<u>\$69,602</u>	<u>\$14,048,492</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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 2001, the School District contracted with Nationwide 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 three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2001, 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 Integrated Comp Inc. 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$47,883, \$73,220, and \$95,156, respectively; 26.55 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$117,228 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$597,622, \$346,841, and \$276,256, respectively; 83.78 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$142,892 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective fund.

11. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$283,084 for fiscal year 2001.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase from 1.30 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$135,092.

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

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Horace Mann Insurance. Medical/surgical benefits are provided through Anthem and dental insurance through EPC Benefits Plan Trust.

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.

General fixed assets that have been capitalized in the general fixed assets account group in the amount \$1,625,000. This amount represents the present value of the minimum lease payments at the time of acquisition.

A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 2001 totaled \$88,549 in the governmental funds.

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

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>
2002	\$ 149,027
2003	145,415
2004	146,608
2005	147,466
2006	148,005
2007 – 2011	737,676
2012 – 2014	390,854
Total	<u>\$1,865,051</u>
Less: Amount Representing Interest	<u>(470,049)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$1,395,002</u></u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. NOTE DEBT

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

	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
Energy Conservation Note 1996 5.17%	<u>\$71,171</u>	<u>\$ 0</u>	<u>\$71,171</u>	<u>\$ 0</u>

A. 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 were retired from the General Fund.

15. LONG-TERM OBLIGATIONS

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

	<u>Amount Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/01</u>
Capital Leases	\$1,483,551	\$0	\$88,549	\$1,395,002
Intergovernmental Payable	82,318	77,083	82,318	77,083
Compensated Absences	567,211	0	49,200	518,011
Total General Long-Term Obligations	<u>\$2,133,080</u>	<u>\$77,083</u>	<u>\$220,067</u>	<u>\$1,990,096</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.

The School District's overall legal debt margin was \$15,476,694 with an unvoted debt margin of \$171,963 and an energy conservation debt margin of \$1,547,669 at June 30, 2001.

16. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2001, the District did not have interfund receivables or payables.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. CONTRACTUAL COMMITMENTS

As of June 30, 2001, 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 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, 2001:

	<u>Food Service</u>	<u>Adult Education</u>	<u>Latchkey</u>	<u>Total Enterprise</u>
Operating Revenues	\$397,613	\$1,400	\$27,147	\$426,160
Operating Expenses before Depreciation	478,893	1,450	23,584	503,927
Depreciation	1,182	0	291	1,473
Operating Income (Loss)	(82,462)	(50)	3,272	(79,240)
Federal and State Subsidies	75,173	0	0	75,173
Other Non-Operating Revenue (Expenses)	2,734	0	0	2,734
Net Income (Loss)	(4,555)	(50)	3,272	(1,333)
Fixed Asset Additions	0	0	0	0
Fixed Asset Deletions	2,328	0	0	2,328
Net Working Capital (Deficit)	21,489	189	6,587	28,265
Long-Term Liabilities Payable from Revenue	18,917	228	29	19,174
Total Assets	55,850	0	8,737	64,587
Total Equity (Deficit)	(3,136)	(39)	6,266	3,091
Encumbrances Outstanding at June 30	2,318	0	0	2,318

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 \$18,281 for services provided during the year.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

Financial information can be obtained from Norma Stewart, 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 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.

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 2001, 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. Montgomery, Greene and Butler Counties elect two representatives per area. One at-large non-public representative is elected by the non-public school SOITA members as the state-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within state-assigned SOITA service area.

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 2001, the School District paid \$21,524 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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

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, 2001.

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.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2001	\$(25,344)	\$0	\$201,431
Current Year Set-aside Requirement	248,042	248,042	0
Reduction in Requirement Based on Revised Legislation	0	0	(162,113)
Current Year Offsets	0	(160,022)	0
Qualifying Disbursements	(327,419)	(576,363)	0
Totals	<u>\$(104,721)</u>	<u>(\$488,343)</u>	<u>\$39,319</u>
Reserve Balance Carried Forward to FY 2002	\$(104,721)	\$0	\$0
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$39,318</u>

Amounts of offsets and qualifying disbursements for textbooks in the table reduced the year end amount of the set aside to below zero. This extra amount may be used to reduce the set-aside requirements in future years.

22. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statements No. 33, Accounting and Financial Reporting for Nonexchange Transactions" and No. 36, "Recipient Reporting for Certain Nonexchange Revenues". The effect of this change on the excess of revenues and other financing sources over expenditures and the effect on opening fund balances follows:

	<u>Special Revenue</u>
Excess as previously reported Restatement:	\$(6,202)
Implementation of GASB 33	<u>29,470</u>
Restated, as of June 30, 2000	\$23,264

	<u>Special Revenue</u>	<u>Enterprise</u>
Fund Balance at June 30, 2000	\$317,927	\$(6,920)
GASB 33 Implementation	29,470	0
Deferred Revenue	0	3,874
Compensated Absences	<u>0</u>	<u>7,470</u>
Restated Balance at June 30, 2000	\$347,397	\$4,424

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

23. SUBSEQUENT EVENT

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 15, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration 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, 2001

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	\$9,740	\$9,740
National School Lunch Program	LL-P1-2000	10.555	6,013	6,013
	LL-P4-2000		3,062	3,062
	LL-P1-2001		37,411	37,411
	LL-P4-2001		16,129	16,129
Total National School Lunch			<u>62,615</u>	<u>62,615</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>72,355</u>	<u>72,355</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 2000	84.010	26,757	28,678
	C1-S1 2001		107,792	103,646
			<u>134,549</u>	<u>132,324</u>
Innovative Educational Program Strategies	C2-S1-2000	84.298	6,616	7,894
	C2-S1-2001		6,205	2,829
			<u>12,821</u>	<u>10,723</u>
Special Education Cluster: Special Education Grants to States (IDEA Part B)	6B-SF-2001	84.027	106,210	106,210
<i>Passed Through Clark County Educational Service Center:</i>				
Preschool Grant	PG-S1-2001	84.173	9,241	8,407
Total Special Education Cluster			115,451	114,617
<i>Passed Through Ohio Department of Education:</i>				
Class Size Reduction	CR-S1-2000	84.340		3,958
	CR-S1-2001		29,791	26,981
			<u>29,791</u>	<u>30,939</u>
Drug Free Education	DR-S1-2001	84.186	7,937	7,937
Goals 2000	G2-S8-2000	84.276		356
Technology Literacy Challenge	TF-35-2000	84.318		62,647
Title II - Education for Economic Security	MS-S1-2000	84.164		1,962
	MS-S1-2001		6,053	1,962
			<u>6,053</u>	<u>1,962</u>
Total U. S. Department of Education			<u>306,602</u>	<u>361,505</u>
Total Federal Financial Assistance			<u><u>\$378,957</u></u>	<u><u>\$433,860</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
FISCAL YEAR ENDED JUNE 30, 2001**

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, 2001, wherein we noted that the District had implemented Governmental Accounting Board Statements Nos 33 and 36, and have issued our report thereon dated January 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 15, 2002.

Northwestern Local School District
Clark County
Report of Independent Accountants on Compliance and on Internal Control Required
By *Government Auditing Standards*
Page 2

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

January 15, 2002



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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, 2001. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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, 2001.

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.

**Internal Control Over Compliance
(Continued)**

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

January 15, 2002

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-10312-001	Lack of Student Activity Records	Yes	
2000-10312-002	Ohio SchoolNet final expenditure report submission	Yes	



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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
FEBRUARY 7, 2002**