

Northwest Local School District

Scioto County, Ohio

Single Audit

July 1, 2004 Through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAs, Inc.

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**Auditor of State
Betty Montgomery**

Board of Education
Northwest Local School District
McDermott, Ohio

We have reviewed the *Independent Auditor's Report* of the Northwest Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 2, 2006

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Northwest Local School District
Scioto County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Local School District (the District), Scioto County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the general fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investments Risk Disclosure* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
March 30, 2006

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northwest Local School District (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2005 by \$16,498,608.
- The School District's net assets of governmental activities increased \$2,269.
- General revenues accounted for \$11,143,901 in revenue or 69 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$5,065,076 or 31 percent of total revenues of \$16,208,977.
- The School District had \$16,206,708 in expenses related to governmental activities; \$5,065,076 of these expenses was offset by program specific charges for services and sales, operating grants and contributions and capital grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity.

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

Northwest Local School District
 Scioto County, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table 1
 Net Assets

	2005	2004*
Assets:		
Current and Other Assets	\$10,364,816	\$8,981,788
Capital Assets, Net	15,781,310	16,591,792
Total Assets	26,146,126	25,573,580
Liabilities:		
Current and Other Liabilities	3,564,977	3,007,311
Long-Term Liabilities	6,082,541	6,069,930
Total Liabilities	9,647,518	9,077,241
Net Assets:		
Invested in Capital Assets, Net of Related Debt	10,790,202	11,417,320
Restricted	4,599,560	4,182,068
Unrestricted	1,108,846	896,951
Total Net Assets	\$16,498,608	\$16,496,339

* As Restated, See Note 3

Total net assets of the District as a whole increased \$2,269. Total Assets increased due to an increase in cash and taxes receivable. Total liabilities increased due to increases in accrued wages and benefits and deferred revenue.

Northwest Local School District
 Scioto County, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005.

Table 2
 Change in Net Assets

	2005	2004 *
Revenues		
Program Revenues:		
Charges for Services and Sales	\$398,580	\$370,250
Operating Grants & Contributions	3,899,321	4,201,864
Capital Grants & Contributions	<u>767,175</u>	<u>107,525</u>
Total Program Revenues	5,065,076	4,679,639
General Revenues:		
Taxes Levied for:		
General Purposes	1,437,427	1,296,309
Debt Service	302,556	297,341
Capital Maintenance	36,278	29,005
Grants and Entitlements Not Restricted to Specific Programs	9,203,944	8,869,829
Gifts and Donations Not Restricted to Specific Programs	8,629	26,808
Investment Earnings	148,490	95,107
Miscellaneous	6,577	476
Rent	0	21,361
Total General Revenues	<u>11,143,901</u>	<u>10,636,236</u>
Total Revenues	16,208,977	15,315,875
Program Expenses		
Instruction		
Regular	6,720,750	6,153,113
Special	1,831,901	1,616,317
Vocational	59,209	54,033
Adult/Continuing	12,268	73,089
Other	256,398	368,608
Support Services		
Pupils	575,260	530,750
Instructional Staff	1,086,679	1,082,427
Board of Education	10,471	50,902
Administration	1,085,074	1,063,447
Fiscal	295,805	214,682
Business	0	15,275
Operation of Maintenance and Plant	1,688,044	1,484,103
Pupil Transportation	1,162,219	956,010
Central	67,687	59,390
Operation of Non-Instructional Services	726,874	665,360
Extracurricular Activities	384,444	350,978
Interest and Fiscal Charges	<u>243,625</u>	<u>358,817</u>
Total Expenses	16,206,708	15,097,301
Net Assets at Beginning of Year	16,496,339	16,277,765
Increase/(Decrease) in Net Assets	2,269	218,574
Net Assets at End of Year	<u>\$16,498,608</u>	<u>\$16,496,339</u>

* As Restated, See Note 3

Northwest Local School District
 Scioto County, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

Governmental Activities

Charges for services and sales comprised 2 percent of revenue for governmental activities, while operating grants and contributions comprised 24 percent of revenue for governmental activities, and capital grants and contributions comprised 5 percent of revenue for governmental activities of the School District for fiscal year 2005.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 41 percent of governmental program expenses with Special Instruction comprising 11 percent of governmental expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$8,880,526	\$6,112,292	\$8,265,160	\$5,792,247
Support Services	5,971,239	4,660,574	5,456,986	3,922,830
Operation of Non-Instructional Services	726,874	22,704	665,360	142,484
Extracurricular Activities	384,444	140,175	350,978	241,926
Interest and Fiscal Charges	243,625	205,887	358,817	318,175
Total Expenses	\$16,206,708	\$11,141,632	\$15,097,301	\$10,417,662

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,308,780 and expenditures and other financing uses of \$15,718,907. The net change in fund balance for the year was most significant in the Classroom Facilities Fund.

The fund balance of the Classroom Facilities Fund increased by \$547,262. This increase was primarily due to an increase in intergovernmental grant monies.

The fund balance of the Bond Retirement fund increased by \$92,460. This increase was primarily due to the decrease of expenditures from the prior year, while revenues remained relatively consistent.

The fund balance of the General fund increased by \$275,450. This increase was due primarily to the decrease in regular instruction expenditures from the prior year and an increase in intergovernmental grant monies.

General Fund Budgeting Highlights

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

During 2005, there were several revisions to the General Fund budget. In part, these revisions increased appropriations by \$746,336 and increased the estimated receipts by \$913,278. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General fund's ending unobligated cash balance was \$3,142,109.

Northwest Local School District
 Scioto County, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the School District had \$15,781,310 invested in its capital assets. Table 4 shows the fiscal year 2005 balances compared to 2004.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

Governmental Activities

	2005	2004
Land	\$189,530	\$189,530
Construction in Progress	0	296,544
Land Improvements	354,242	397,768
Buildings and Building Improvements	13,149,195	13,315,527
Furniture and Equipment	1,308,103	1,482,922
Vehicles	605,325	706,041
Textbooks	174,915	203,460
Totals	\$15,781,310	\$16,591,792

Changes in capital assets from the prior year resulted from the addition of land improvements, building improvements, furniture and equipment, and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2005, the School District had School Facilities General Obligations refunding Bonds outstanding of \$2,089,593. The bonds were issued for school construction. The District also had capital lease obligations outstanding of \$2,894,000. See Note 14 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Northwest Local School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,829,690
Cash and Cash Equivalents with Fiscal Agents	3,206,487
Intergovernmental Receivable	5,411
Taxes Receivable	2,235,999
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	87,229
Non-Depreciable Capital Assets	189,530
Depreciable Capital Assets, net	15,591,780
<i>Total Assets</i>	26,146,126
LIABILITIES:	
Current Liabilities:	
Accounts Payable	815
Accrued Wages and Benefits	1,270,029
Intergovernmental Payable	379,059
Accrued Interest Payable	7,515
Matured Compensated Absences Payable	22,123
Deferred Revenue	1,885,436
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	407,064
Due in More Than One Year	5,675,477
<i>Total Liabilities</i>	9,647,518
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	10,790,202
Restricted for Debt Service	607,446
Restricted for Capital Outlay	3,892,945
Restricted - Set Asides	87,229
Restricted - Nonexpendable	11,940
Unrestricted	1,108,846
<i>Total Net Assets</i>	\$ 16,498,608

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

Northwest Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	<u>Program Revenues</u>			Net(Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities:					
Instruction:					
Regular	\$ 6,720,750	\$ 22,376	\$ 709,267	\$ 767,175	\$ (5,221,932)
Special	1,831,901	4,408	1,244,812	-	(582,681)
Vocational	59,209	261	18,380	-	(40,568)
Adult/Continuing	12,268	51	12	-	(12,205)
Other	256,398	1,120	372	-	(254,906)
Support Services:					
Pupils	575,260	1,938	97,235	-	(476,087)
Instructional Staff	1,086,679	2,521	355,178	-	(728,980)
Board of Education	10,471	46	-	-	(10,425)
Administration	1,085,074	4,484	36,702	-	(1,043,888)
Fiscal	295,805	1,253	7,267	-	(287,285)
Operation and Maintenance of Plant	1,688,044	6,770	22,537	-	(1,658,737)
Pupil Transportation	1,162,219	5,052	762,727	-	(394,440)
Central	67,687	256	6,699	-	(60,732)
Operation of Non-Instructional Services	726,874	204,900	499,270	-	(22,704)
Extracurricular Activities	384,444	142,546	101,723	-	(140,175)
Interest and Fiscal Charges	243,625	598	37,140	-	(205,887)
Total Governmental Activities	<u>\$ 16,206,708</u>	<u>\$ 398,580</u>	<u>\$ 3,899,321</u>	<u>\$ 767,175</u>	<u>(11,141,632)</u>
General Revenues:					
Property and Other Local Taxes Levied for:					
General Purposes					1,437,427
Capital Maintenance					36,278
Debt Service					302,556
Grants and Entitlements not Restricted to Specific Programs					9,203,944
Gifts and Donations not Restricted to Specific Programs					8,629
Investment Earnings					148,490
Miscellaneous					6,577
Total General Revenues					<u>11,143,901</u>
Change in Net Assets					2,269
Net Assets Beginning of Year- (As Restated - See Note 3)					<u>16,496,339</u>
Net Assets End of Year					<u>\$ 16,498,608</u>

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

Northwest Local School District
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 3,108,506	\$ 548,786	\$ 686,458	\$ 485,940	\$ 4,829,690
Cash and Cash Equivalents with Fiscal Agents	-	-	3,206,487	-	3,206,487
Intergovernmental Receivable	-	-	-	5,411	5,411
Taxes Receivable	1,809,626	387,749	-	38,624	2,235,999
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	87,229	-	-	-	87,229
<i>Total Assets</i>	<u>5,005,361</u>	<u>936,535</u>	<u>3,892,945</u>	<u>529,975</u>	<u>10,364,816</u>
LIABILITIES:					
Accounts Payable	815	-	-	-	815
Accrued Wages and Benefits	960,942	-	-	309,087	1,270,029
Intergovernmental Payable	301,170	-	-	77,889	379,059
Mature Compensated Absences Payable	22,123	-	-	-	22,123
Deferred Revenue	1,713,902	368,126	-	36,720	2,118,748
<i>Total Liabilities</i>	<u>2,998,952</u>	<u>368,126</u>	<u>-</u>	<u>423,696</u>	<u>3,790,774</u>
Equity:					
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	52,830	-	-	5,695	58,525
Reserved for Contributions	-	-	-	12,000	12,000
Reserved for Property Taxes	95,724	19,623	-	1,904	117,251
Reserved for Budget Stabilization	87,229	-	-	-	87,229
Unreserved, Undesignated, Reported in:					
General Fund	1,770,626	-	-	-	1,770,626
Special Revenue Funds	-	-	-	86,460	86,460
Debt Service Funds	-	548,786	-	-	548,786
Capital Projects Funds	-	-	3,892,945	-	3,892,945
Permanent Funds	-	-	-	220	220
<i>Total Fund Balances</i>	<u>2,006,409</u>	<u>568,409</u>	<u>3,892,945</u>	<u>106,279</u>	<u>6,574,042</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,005,361</u>	<u>\$ 936,535</u>	<u>\$ 3,892,945</u>	<u>\$ 529,975</u>	<u>\$ 10,364,816</u>

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

Northwest Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balances \$ 6,574,042

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,781,310

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 233,312
 Taxes

Long-Term Liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(1,098,948)
Accrued Interest Payable	(7,515)
Capital Lease Obligations	(2,894,000)
General Obligation Bonds	<u>(2,089,593)</u>

Total (6,090,056)

Net Assets of Governmental Activities \$ 16,498,608

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

Northwest Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property Taxes	\$ 1,400,913	\$ 298,880	\$ -	\$ 32,450	\$ 1,732,243
Intergovernmental	10,616,247	43,835	770,616	2,484,892	13,915,590
Interest	56,650	-	88,451	3,389	148,490
Tuition and Fees	11,655	-	-	-	11,655
Rent	27,349	-	-	-	27,349
Extracurricular Activities	-	-	-	142,546	142,546
Gifts and Donations	300	-	-	8,329	8,629
Customer Sales and Services	12,130	-	-	204,900	217,030
Miscellaneous	6,577	-	-	-	6,577
<i>Total Revenues</i>	<u>12,131,821</u>	<u>342,715</u>	<u>859,067</u>	<u>2,876,506</u>	<u>16,210,109</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,771,984	-	-	952,926	5,724,910
Special	1,012,562	-	-	841,012	1,853,574
Vocational	58,913	-	-	-	58,913
Adult/Vocational	12,252	-	-	16	12,268
Other	255,771	-	-	627	256,398
Support Services:					
Pupils	454,100	-	-	130,682	584,782
Instructional Staff	593,915	-	-	477,881	1,071,796
Board of Education	11,123	-	-	-	11,123
Administration	987,141	-	-	46,707	1,033,848
Fiscal	292,039	7,675	-	768	300,482
Operation and Maintenance of Plant	1,571,236	-	-	30,201	1,601,437
Pupil Transportation	1,179,548	-	-	-	1,179,548
Central	59,628	-	-	9,000	68,628
Operation of Non-Instructional Services	29,960	-	-	673,988	703,948
Extracurricular Activities	233,610	-	-	136,668	370,278
Capital Outlay	49,509	-	311,805	-	361,314
Debt Service:					
Principal	47,205	200,000	-	-	247,205
Interest	137,204	42,580	-	-	179,784
<i>Total Expenditures</i>	<u>11,757,700</u>	<u>250,255</u>	<u>311,805</u>	<u>3,300,476</u>	<u>15,620,236</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>374,121</u>	<u>92,460</u>	<u>547,262</u>	<u>(423,970)</u>	<u>589,873</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	-	98,671	98,671
Transfers Out	(98,671)	-	-	-	(98,671)
<i>Total Other Financing Sources and Uses</i>	<u>(98,671)</u>	<u>-</u>	<u>-</u>	<u>98,671</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	275,450	92,460	547,262	(325,299)	589,873
<i>Fund Balances at Beginning of Year</i>	<u>1,730,959</u>	<u>475,949</u>	<u>3,345,683</u>	<u>431,578</u>	<u>5,984,169</u>
<i>Fund Balances at End of Year</i>	<u>\$ 2,006,409</u>	<u>\$ 568,409</u>	<u>\$ 3,892,945</u>	<u>\$ 106,279</u>	<u>\$ 6,574,042</u>

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

Northwest Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 589,873

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

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

Capital Asset Additions	137,393	
Current Year Depreciation	(947,875)	
Total		(810,482)

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

Taxes	44,016	
Intergovernmental	(45,148)	
Total		(1,132)

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

200,000

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

47,205

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

Increase in Compensated Absences	(139,728)	
Decrease in Accrued Interest	56,247	
Increase in Accreted Debt	(120,088)	
Decrease in Intergovernmental Payable	180,374	
Total		(23,195)

Net Change in Net Assets of Governmental Activities \$ 2,269

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

Northwest Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 11,281,528	\$ 12,194,806	\$ 12,194,806	\$ -
Total Expenditures and Other Financing Uses	10,684,991	11,431,327	11,431,327	-
Net Change in Fund Balance	596,537	763,479	763,479	-
Fund Balance at Beginning of Year	2,211,734	2,211,734	2,211,734	-
Prior Year Encumbrances Appropriated	166,896	166,896	166,896	-
Fund Balance at End of Year	\$ 2,975,167	\$ 3,142,109	\$ 3,142,109	\$ -

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

Northwest Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2005

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 19,426</u>
LIABILITIES:	
Undistributed Monies	<u>\$ 19,426</u>

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 156 square miles. It is located in Scioto County, and includes all of the Village of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 69 non-certificated employees, 124 certificated full-time teaching personnel who provide services to 1,750 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Retirement Fund

The Bond Retirement Fund is used for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

Classroom Facilities Fund

The Classroom Facilities Fund is provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Fiduciary Funds

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

The School District's only fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

Measurement Focus

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

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

Basis of Accounting

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 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 School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2005.

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

Encumbrances

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

D. Cash and Cash Equivalents

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

During fiscal year 2005, the School District's invested funds in repurchase agreements, money market mutual funds , and the State Treasury Asset Reserve of Ohio (STAROhio). Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. StarOhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. StarOhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in StarOhio are valued at StarOhio's share price which is the price the investment could be sold for on June 30, 2005.

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, Food Service Fund, Willoughby Scholarship Fund, Classroom Facilities Major Capital Project Fund, and McGowen Scholarship Fund, during fiscal year 2005 amounted to \$56,650, \$2,921, \$221, \$88,451, and \$247, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated 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 possess any infrastructure.

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

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

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

F. Interfund Balances

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

G. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accrued Liabilities and Long-Term Obligations

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

I. Fund Balance Reserves

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

J. Estimates

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

K. Net Assets

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

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

L. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 18 for additional information regarding set-asides.

M. Interfund Transactions

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, “Deposit and Investment Risk Disclosures”, and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post-employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.” GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin and GASB Statement No. 40 had no effect on the District’s financial statements.

The restated net asset amount for government programs reflects the change in net assets for governmental funds at June 30, 2005, caused by a capital lease payment recorded in a prior year.

	Total
Net Assets, June 30, 2004	\$ 16,546,339
Capital Leases	(50,000)
Restated Net Assets, June 30, 2004	\$ 16,496,339

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance	
GAAP Basis	\$275,450
Revenue Accruals	62,985
Expenditure Accruals	478,689
Encumbrances	<u>(53,645)</u>
Budget Basis	<u><u>\$763,479</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

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

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

Deposits The School District's deposits are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

At fiscal year end, the carrying amount of the School District's deposits was \$4,226,303 and the bank balance was \$4,915,521. Of the bank balance \$200,000 was covered by federal depository insurance (Category 1). \$4,715,521 was uninsured and uncollateralized (Category 3) and subject to custodial credit risk. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart'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.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	Uncategorized	Category 2	Category 3	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$ 23,283	\$ -	\$ -	\$ 23,283	<1 Year
Repurchase Agreements	-	-	686,459	686,459	<1 Year
Bayerische Hypo Und. Verins Bank	-	3,055,000	-	3,055,000	<1 Year
Allegiant Government Money Mkt	-	151,487	-	151,487	<1 Year
Total Investments	<u>\$ 23,283</u>	<u>\$ 3,206,487</u>	<u>\$ 686,459</u>	<u>\$ 3,916,229</u>	

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District limited their investments to securities in STAR Ohio, Repurchase Agreements, and Money Market Mutual Funds. Below are the credit ratings of the School District’s investments:

	<u>Standard & Poor’s</u>
STAR Ohio	AAAm
Allegiant Money Market	AAAm
Bayerische Hypo	A-1

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single user. The School District’s investment policy allows investments in Federal Agencies or Instrumentalities. More than 5 percent of the District’s investments are in Repurchase Agreements and Money Market Mutual Funds; Repurchase Agreements comprised 17% of the School District’s investments, and Bayerische Hypo Money Market Mutual fund comprised of 78% of the School District’s investments

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s securities are held in the name of the School District.

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

	Cash and Cash Equivalents/ Deposits	Investments
<i>GASB Statement No. 9</i>	\$ 8,142,832	\$ -
Cash on Hand	(300)	-
Repurchase Agreements	(686,459)	686,459
Money Market Mutual Fund	(3,206,487)	3,206,487
STAR Ohio	(23,283)	23,283
<i>GASB Statement No. 3</i>	<u>\$ 4,226,303</u>	<u>\$ 3,916,229</u>

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, 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. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2004. Collections are made in 2005. 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 assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$61,219,680	84.83%	\$70,230,530	86.47%
Public Utility	7,133,750	9.89%	6,865,980	8.45%
Tangible Personal Property	<u>3,810,044</u>	<u>5.28%</u>	<u>4,120,361</u>	<u>5.08%</u>
Total Assessed Value	<u><u>\$72,163,474</u></u>	<u><u>100.00%</u></u>	<u><u>\$81,216,871</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$25.31		\$24.81	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2005, was \$95,724 in the General Fund, \$19,623 in Bond Retirement and \$1,904 in the Classroom Facilities Maintenance Non-major Special Revenue Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of accounts (refunds) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Non-Major Special Revenue Funds:	<u>Amount</u>
Miscellaneous Federal Grants Fund	\$ 5,411
Total Non-Major Special Revenue Funds	<u>\$ 5,411</u>

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Ending Balance 6/30/2004	Additions	Deletions	Ending Balance 6/30/2005
Capital Assets, Not Being Depreciated				
Land	\$ 189,530	\$ -	\$ -	\$ 189,530
Construction in Progress	296,544	-	(296,544)	-
Total Capital Assets, Not Being Depreciated	486,074	-	(296,544)	189,530
Capital Assets, Being Depreciated				
Land Improvements	1,199,104	940	-	1,200,044
Buildings and Improvements	20,065,136	344,945	-	20,410,081
Furniture and Equipment	5,680,421	88,052	-	5,768,473
Vehicles	1,866,091	-	-	1,866,091
Textbooks	1,059,283	-	-	1,059,283
Total Capital Assets, Being Depreciated	29,870,035	433,937	-	30,303,972
Less Accumulated Depreciation				
Land Improvements	(801,336)	(44,466)	-	(845,802)
Buildings and Improvements	(6,749,609)	(511,277)	-	(7,260,886)
Furniture and Equipment	(4,197,499)	(262,871)	-	(4,460,370)
Vehicles	(1,160,050)	(100,716)	-	(1,260,766)
Textbooks	(855,823)	(28,545)	-	(884,368)
Total Accumulated Depreciation	(13,764,317)	(947,875)	-	(14,712,192)
Total Capital Assets, Being Depreciated, Net	16,105,718	(513,938)	-	15,591,780
Governmental Activities Capital Assets, Net	\$ 16,591,792	\$ (513,938)	\$ (296,544)	\$ 15,781,310

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$741,006
Support Services:	
Pupils	1,177
Instructional Staff	32,936
Administration	10,316
Fiscal	628
Operation and Maintenance of Plant	109,851
Pupil Transportation	7,746
Non-Instructional Services	26,133
Extra-Curricular Activities	18,082
Total Depreciation Expense	<u>\$947,875</u>

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Selective Insurance Company of South Carolina for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Selective Insurance Company of South Carolina are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$39,443,393
Inland Marine Coverage (\$1,000 deductible)	10,000
Boiler and Machinery (\$1,000 deductible)	No Limit
Crime Insurance (\$1,000 deductible)	50,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	50,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 2005, 10.57% was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2005, 2004, and 2003 were \$205,612, \$237,224, and \$100,420, respectively. 42% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$118,338 represents the unpaid contribution for fiscal year 2005.

B. State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

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

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

For fiscal year 2005 plan members are required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003 were \$831,516, \$805,076, and \$676,480, respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$139,272 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$6,922 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's STRS salaries. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$40,384.

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, 2005, were \$178,221,113. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for classified personnel and 225 days for certified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days for classified and 52 days for certified personnel.

B. Insurance Benefits

The School District provides life insurance to most employees through CoreSource.

C. Deferred Compensation

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. Principal payments in fiscal year 2005 totaled \$47,205 in the governmental funds.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The School District entered into a lease purchase agreement on August 21, 2002 to finance the School District's portion of the classroom facilities project. The lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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, 2005.

Fiscal Year Ending June 30,	
2006	\$ 295,952
2007	295,020
2008	295,357
2009	293,887
2010	293,780
Thereafter	<u>2,484,020</u>
Total Minimum Lease Payments	3,958,016
Less: Amounts Representing Interest	<u>(1,064,016)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 2,894,000</u></u>

NOTE 14 - LONG-TERM LIABILITIES

The changes in the School Districts long-term liabilities during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Due Within One Year
1999 School Facilities General					
Obligations Refunding Bond - 4.5%	\$ 2,169,505	\$ 120,088	\$ 200,000	\$ 2,089,593	\$ 210,000
Capital Leases*	2,941,205	-	47,205	2,894,000	161,000
Compensated Absences	<u>959,220</u>	<u>1,098,948</u>	<u>959,220</u>	<u>1,098,948</u>	<u>36,064</u>
Total Long-Term Liabilities	<u><u>\$ 6,069,930</u></u>	<u><u>\$ 1,219,036</u></u>	<u><u>\$ 1,206,425</u></u>	<u><u>\$ 6,082,541</u></u>	<u><u>\$ 407,064</u></u>

* As Restated see Note 3

Advance Refunding - On April 15, 1999, the School District issued \$2,519,992 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,520,000 of refunded debt. As a result, the refunded bonds were considered to be defeased and the liability was removed from the District's financial statements. At June 30, 2005, \$2,375,000 of bonds outstanding is considered defeased by assets of \$2,466,159.

\$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% - 4.30%. \$529,992 was issued as capital appreciation bonds. The bonds were issued with a \$358,114 premium. The serial bonds and capital appreciation bonds are not subject to mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2010 and 2015. The maturity amount of the bonds is \$1,640,000. For fiscal year 2005, \$120,088 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,089,593 at fiscal year end. The bond value at final maturity will be \$2,950,000.

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 14 - LONG-TERM LIABILITIES (continued)

The School District's overall legal debt margin was \$7,121,455 with an unvoted debt margin of \$81,217 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2006	\$ 210,000	\$ -	\$ 34,327	\$ 244,327
2007	225,000	-	25,406	250,406
2008	235,000	-	15,744	250,744
2009	250,000	-	5,375	255,375
2010	-	270,000	169,557	439,557
2011-2015	-	1,370,000	940,451	2,310,451
	<u>\$ 920,000</u>	<u>\$ 1,640,000</u>	<u>\$ 1,190,860</u>	<u>\$ 3,750,860</u>

The amortization schedule does not match the outstanding debt amounts listed on page 34 due to capital appreciation bonds which are being accreted.

NOTE 15 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2005, were as follows:

	<u>Transfer From</u>	<u>Transfer To</u>
Major Funds:		
General	\$ 98,671	\$ -
Non-Major Special Revenue Funds:		
Food Service		44,523
Athletic	-	54,148
Total	<u>\$ 98,671</u>	<u>\$ 98,671</u>

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Lawrence, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid \$85,602 for services provided by SCOCA during this fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

NOTE 17 - PUBLIC ENTITY SHARED RISK POOL

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

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

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. For the fiscal year ended June 30, 2005, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Worker's Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stablization</u>
Set-aside Cash Balance as of June 30, 2004	(\$35,599)	(\$93,747)	\$87,229
Current year set-aside requirement	246,945	246,945	0
Qualifying disbursements	<u>(1,031,731)</u>	<u>(361,314)</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 2005	<u>(\$820,385)</u>	<u>(\$208,116)</u>	<u>\$87,229</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>\$87,229</u>

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 19 - SCHOOL FUNDING COURT DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

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

NOTE 21 - ACCOUNTABILITY

A. Accountability - Fund Balance Deficits

At June 30, 2005, the Food Service, D.P.I.A., Miscellaneous State Grants, ABLE, Title I, Drug Free Grant, Title II-A and Goals 2000 Special Revenue Funds had fund balance deficits of \$8,116, \$1,340, \$13,898, \$644, \$261,750, \$1,835, \$38,686 and \$3,755 respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Northwest Local School Distric
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$50,803	\$0	\$50,803
National School Breakfast Program	05-PU	10.553	103,978	0	103,978	0
National School Lunch Program	LL-P4	10.555	312,583	0	312,583	0
Total United States Department of Agriculture - Nutrition Cluster			416,561	50,803	416,561	50,803
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education-Grants to States	6B-SF	84.027	373,140	0	373,140	0
Total Special Education Cluster			373,140	0	373,140	0
Title I Grants to Local Educational Agencies	C1-S1	84.010	852,124	0	918,743	0
Safe & Drug Free Schools and Communities	DR-S1	84.186	16,583	0	16,583	0
State Grants for Innovative Programs	C2-S1	84.298	11,575	0	11,575	0
Education Technology State Grants	TJ-S1	84.318	17,760	0	17,760	0
Rural Education	RU-S1	84.358	48,312	0	42,959	0
Improving Teacher Quality State Grants	TR-S1	84.367	191,843	0	194,322	0
Total United States Department of Education			1,511,337	0	1,575,082	0
Total Federal Financial Assistance			\$1,927,898	\$50,803	\$1,991,643	\$50,803

NA - Pass Through Entity Number is Not Available

See accompanying notes to the schedule of federal awards expenditures.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -FOOD DISTRIBUTIONS

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported on the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Local School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 30, 2006 in which we indicated the District implemented GASB Statements No. 40 and GASB Technical Bulletin 2004-2. 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.

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 basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated March 30, 2006.


Members of the Board

Northwest Local School District

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

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 30, 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Compliance

We have audited the compliance of Northwest Local School District (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, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

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 the internal control over compliance in accordance with OMB Circular A-133.

Members of the Board
Northwest Local School District
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 30, 2006

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

NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY, OHIO
JUNE 30, 2005

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

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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY, OHIO
JUNE 30, 2005**

**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



**Auditor of State
Betty Montgomery**

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**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 16, 2006**