

Northwest Local School District

Scioto County

Single Audit

July 1, 1999 through June 30, 2000

Fiscal Year Audited Under GAGAS: 2000

MICHAEL A. BALESTRA, CPA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
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Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45652

We have reviewed the Independent Auditor's Report of the Northwest Local School District, Scioto County, prepared by Michael A. Balestra, CPA, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 23, 2001

NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

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Independent Auditors' Report

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

We have audited the accompanying general-purpose financial statements of the Northwest Local School District, Scioto County, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Northwest Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2000 on our consideration of the Northwest Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Northwest Local School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

December 22, 2000

NORTHWEST LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,041,801	\$569,478	\$341,477	\$87,592
Receivables:				
Taxes	1,236,867	31,102	285,865	0
Accounts	125	724	0	0
Intergovernmental	35,973	156,564	0	0
Interfund Receivable	125,597	0	0	0
Prepaid Items	3,280	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	63,787	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	276,060	0	0	0
Cash with Fiscal Agents	5,959	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	\$3,789,449	\$757,868	\$627,342	\$87,592

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$17,357	\$38,116	\$0	\$0	\$3,095,821
0	0	0	0	1,553,834
0	0	0	0	849
0	0	0	0	192,537
0	0	0	0	125,597
0	0	0	0	3,280
8,686	0	0	0	8,686
1,000	0	0	0	64,787
0	0	0	0	276,060
0	0	0	0	5,959
195,120	0	17,426,346	0	17,621,466
0	0	0	358,180	358,180
0	0	0	3,173,579	3,173,579
<u>\$222,163</u>	<u>\$38,116</u>	<u>\$17,426,346</u>	<u>\$3,531,759</u>	<u>\$26,480,635</u>

(continued)

NORTHWEST LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$78,247	\$70,805	\$0	\$0
Contracts Payable	94,652	0	0	0
Accrued Wages and Benefits	1,013,955	265,669	0	0
Compensated Absences Payable	62,155	0	0	0
Interfund Payable	0	0	0	125,597
Retainage Payable	5,959	0	0	0
Intergovernmental Payable	190,373	51,977	0	0
Deferred Revenue	1,164,231	29,286	269,162	0
Undistributed Monies	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	-----	-----	-----	-----
Total Liabilities	2,609,572	417,737	269,162	125,597
	-----	-----	-----	-----
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	475,093	42,344	0	9,019
Reserved for Inventory	63,787	0	0	0
Reserved for Property Taxes	72,636	1,816	16,703	0
Reserved for Endowments	0	0	0	0
Reserved for Bus Purchases	55,320	0	0	0
Reserved for Budget Stabilization	220,740	0	0	0
Unreserved:				
Undesignated (Deficit)	292,301	295,971	341,477	(47,024)
	-----	-----	-----	-----
Total Fund Equity (Deficit) and Other Credits	1,179,877	340,131	358,180	(38,005)
	-----	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$3,789,449	\$757,868	\$627,342	\$87,592

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$149,052
0	0	0	0	94,652
52,606	0	0	0	1,332,230
10,651	0	0	624,971	697,777
0	0	0	0	125,597
0	0	0	0	5,959
15,456	0	0	74,126	331,932
5,807	0	0	0	1,468,486
0	15,122	0	0	15,122
0	0	0	326,890	326,890
0	0	0	2,505,772	2,505,772
-----	-----	-----	-----	-----
84,520	15,122	0	3,531,759	7,053,469
-----	-----	-----	-----	-----
0	0	17,426,346	0	17,426,346
137,643	660	0	0	138,303
0	0	0	0	526,456
0	0	0	0	63,787
0	0	0	0	91,155
0	12,000	0	0	12,000
0	0	0	0	55,320
0	0	0	0	220,740
0	10,334	0	0	893,059
-----	-----	-----	-----	-----
137,643	22,994	17,426,346	0	19,427,166
-----	-----	-----	-----	-----
=====	=====	=====	=====	=====
\$222,163	\$38,116	\$17,426,346	\$3,531,759	\$26,480,635

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NORTHWEST LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<u>Revenues:</u>						
Property Taxes	\$1,079,027	\$26,911	\$247,582	\$0	\$0	\$1,353,520
Intergovernmental	7,973,336	2,362,190	34,577	77,499	0	10,447,602
Interest	206,960	0	0	0	309	207,269
Tuition and Fees	30,275	1,070	0	0	0	31,345
Rent	8,332	0	0	0	0	8,332
Extracurricular Activities	39	152,673	0	0	0	152,712
Gifts and Donations	1,663	616	0	0	7,804	10,083
Customer Services	347,540	0	0	0	0	347,540
Miscellaneous	2,454	39	2,350	0	0	4,843
Total Revenues	9,649,626	2,543,499	284,509	77,499	8,113	12,563,246
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	4,043,270	1,117,446	0	32,782	0	5,193,498
Special	675,615	798,384	0	0	0	1,473,999
Vocational	93,901	0	0	0	0	93,901
Adult/Continuing	0	145,929	0	0	0	145,929
Other	77,170	0	0	0	250	77,420
Support Services:						
Pupils	400,926	128,255	0	445	0	529,626
Instructional Staff	328,913	172,534	0	610	0	502,057
Board of Education	45,873	0	0	0	0	45,873
Administration	858,301	76,232	0	0	0	934,533
Fiscal	203,053	14,902	6,524	0	0	224,479
Operation and Maintenance of Plant	1,207,017	75,464	0	0	0	1,282,481
Pupil Transportation	1,102,471	0	0	0	0	1,102,471
Central	43,578	2,500	0	0	0	46,078
Operation of Non-Instructional Services	953	1,672	0	0	0	2,625
Extracurricular Activities	190,097	115,015	0	0	0	305,112
Capital Outlay	905,803	0	0	202,448	0	1,108,251
Debt Service:						
Principal Retirement	41,491	0	180,000	0	0	221,491
Interest and Fiscal Charges	11,622	0	85,084	0	0	96,706
Total Expenditures	10,230,054	2,648,333	271,608	236,285	250	13,386,530
Excess of Revenues Over (Under) Expenditures	(580,428)	(104,834)	12,901	(158,786)	7,863	(823,284)
<u>Other Financing Sources (Uses):</u>						
Proceed from Sale of Fixed Assets	2,057	0	0	0	0	2,057
Inception of Capital Lease	357,669	0	0	0	0	357,669
Operating Transfers - In	0	45,500	0	5,645	0	51,145
Operating Transfers - Out	(51,145)	0	0	0	0	(51,145)
Total Other Financing Sources (Uses)	308,581	45,500	0	5,645	0	359,726
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(271,847)	(59,334)	12,901	(153,141)	7,863	(463,558)
Fund Balances at Beginning of Year	1,462,071	399,465	345,279	115,136	2,471	2,324,422
Decrease in Reserve for Inventory	(10,347)	0	0	0	0	(10,347)
Fund Balances (Deficit) at End of Year	\$1,179,877	\$340,131	\$358,180	(\$38,005)	\$10,334	\$1,850,517

See accompanying notes to the general purpose financial statements

NORTHWEST LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,062,548	\$1,062,548	\$0	\$26,500	\$26,500	\$0
Intergovernmental	7,959,498	7,959,498	0	2,423,155	2,221,548	(201,607)
Interest	206,544	206,960	416	0	0	0
Tuition and Fees	30,249	30,249	0	1,070	1,070	0
Rent	8,551	8,551	0	0	0	0
Extracurricular Activities	0	0	0	150,852	151,949	1,097
Gifts and Donations	1,663	1,663	0	616	616	0
Customer Services	350,382	350,382	0	0	0	0
Miscellaneous	744	759	15	0	0	0
Total Revenues	9,620,179	9,620,610	431	2,602,193	2,401,683	(200,510)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,988,601	3,988,601	0	1,106,999	1,106,999	0
Special	700,296	700,296	0	816,742	816,742	0
Vocational	90,943	90,943	0	0	0	0
Adult/Continuing	0	0	0	144,749	144,749	0
Other	77,230	77,230	0	0	0	0
Support Services:						
Pupils	439,619	439,619	0	156,963	156,963	0
Instructional Staff	323,878	323,878	0	179,206	179,206	0
Board of Education	50,027	50,027	0	0	0	0
Administration	851,095	851,095	0	72,719	72,719	0
Fiscal	202,665	202,665	0	14,903	14,903	0
Operation and Maintenance of Plant	1,236,104	1,236,104	0	88,334	88,334	0
Pupil Transportation	1,192,401	1,192,401	0	0	0	0
Central	42,059	42,059	0	5,000	5,000	0
Operation of Non-Instructional Services	953	953	0	1,672	1,672	0
Extracurricular Activities	201,589	201,589	0	121,738	121,738	0
Capital Outlay	820,298	820,298	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,217,758	10,217,758	0	2,709,025	2,709,025	0
Excess of Revenues Over (Under) Expenditures	(597,579)	(597,148)	431	(106,832)	(307,342)	(200,510)
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	2,057	2,057	0	0	0	0
Refund of Prior Year Expenditures	82	82	0	39	39	0
Advances - In	0	0	0	0	0	0
Advances - Out	(125,597)	(125,597)	0	0	0	0
Operating Transfers - In	0	0	0	45,500	45,500	0
Operating Transfers - Out	(51,145)	(51,145)	0	0	0	0
Other Financing Sources	1,613	1,613	0	0	0	0
Total Other Financing Sources (Uses)	(172,990)	(172,990)	0	45,539	45,539	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(770,569)	(770,138)	431	(61,293)	(261,803)	(200,510)
Fund Balances (Deficit) at Beginning of Year	2,152,353	2,152,353	0	633,859	633,859	0
Prior Year Encumbrances Appropriated	326,621	326,621	0	75,604	75,604	0
Fund Balances (Deficit) at End of Year	\$1,708,405	\$1,708,836	\$431	\$648,170	\$447,660	(\$200,510)

See accompanying notes to the general purpose financial statements

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Expendable Trust Fund</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$243,795	\$243,795	\$0	\$0	\$0	\$0	\$0	\$0	\$0
34,577	34,577	0	77,499	77,499	0	0	0	0
0	0	0	0	0	0	307	309	2
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	7,804	7,804	0
0	0	0	0	0	0	0	0	0
2,350	2,350	0	0	0	0	0	0	0
280,722	280,722	0	77,499	77,499	0	8,111	8,113	2
0	0	0	58,934	58,934	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	250	250	0
0	0	0	445	445	0	0	0	0
0	0	0	610	610	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
6,524	6,524	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	215,600	215,600	0	0	0	0
180,000	180,000	0	0	0	0	0	0	0
85,084	85,084	0	0	0	0	0	0	0
271,608	271,608	0	275,589	275,589	0	250	250	0
9,114	9,114	0	(198,090)	(198,090)	0	7,861	7,863	2
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	125,597	125,597	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	5,645	5,645	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	131,242	131,242	0	0	0	0
9,114	9,114	0	(66,848)	(66,848)	0	7,861	7,863	2
332,363	332,363	0	(51,715)	(51,715)	0	2,471	2,471	0
0	0	0	184,611	184,611	0	0	0	0
\$341,477	\$341,477	\$0	\$66,048	\$66,048	\$0	\$10,332	\$10,334	\$2

NORTHWEST LOCAL SCHOOL DISTRICT
Statement of Revenues,
Expenses and Changes in Retained Earnings / Fund Balance
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Operating Revenues:</u>			
Sales	\$186,975	\$0	\$186,975
Interest	0	660	660
	-----	-----	-----
Total Operating Revenues	186,975	660	187,635
	-----	-----	-----
<u>Operating Expenses:</u>			
Salaries	200,197	0	200,197
Fringe Benefits	124,566	0	124,566
Purchased Services	6,714	0	6,714
Materials and Supplies	1,420	0	1,420
Cost of Sales	223,787	0	223,787
Depreciation	16,518	0	16,518
Other	12,230	681	12,911
	-----	-----	-----
Total Operating Expenses	585,432	681	586,113
	-----	-----	-----
Operating Loss	(398,457)	(21)	(398,478)
	-----	-----	-----
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	44,805	0	44,805
Federal and State Subsidies	324,184	0	324,184
Loss on Disposal of Fixed Assets	(2,166)	0	(2,166)
	-----	-----	-----
Total Non-Operating Revenues (Expenses)	366,823	0	366,823
	-----	-----	-----
Net Loss	(31,634)	(21)	(31,655)
	-----	-----	-----
Retained Earnings / Fund Balance at Beginning of Year	169,277	12,681	181,958
	-----	-----	-----
Retained Earnings / Fund Balance at End of Year	\$137,643	\$12,660	\$150,303
	=====	=====	=====

See accompanying notes to the general purpose financial statements

NORTHWEST LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	<i>Enterprise</i>			<i>Nonexpendable Trust</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>						
Sales	\$186,707	\$186,995	\$288	\$0	\$0	\$0
Interest	0	0	0	681	660	(21)
Federal and State Subsidies	324,184	324,184	0	0	0	0
Total Revenues	510,891	511,179	288	681	660	(21)
<i>Expenses:</i>						
Salaries	194,143	194,143	0	0	0	0
Fringe Benefits	117,924	117,924	0	0	0	0
Purchased Services	6,914	6,914	0	0	0	0
Materials and Supplies	181,177	181,177	0	0	0	0
Other	12,230	12,230	0	681	681	0
Total Expenses	512,388	512,388	0	681	681	0
Excess of Revenues Over (Under) Expenses	(1,497)	(1,209)	288	0	(21)	(21)
Fund Equity at Beginning of Year	17,492	17,492	0	12,681	12,681	0
Prior Year Encumbrances Appropriated	206	206	0	0	0	0
Fund Equity at End of Year	\$16,201	\$16,489	\$288	\$12,681	\$12,660	(\$21)

See accompanying notes to the general purpose financial statements

NORTHWEST LOCAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Enterprise	Nonexpendable Trust	Totals (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$186,995	\$0	\$186,995
Cash Payments to Suppliers for Goods and Services	(187,223)	0	(187,223)
Cash Payments to Employees for Services	(194,143)	0	(194,143)
Cash Payments for Employee Benefits	(117,924)	0	(117,924)
Cash Payments for Other Operating Expenses	(12,230)	(681)	(12,911)
	-----	-----	-----
Net Cash Used for Operating Activities	(324,525)	(681)	(325,206)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies	324,184	0	324,184
<u>Cash Flows from Investing Activities:</u>			
Interest	0	660	660
	-----	-----	-----
Net Decrease in Cash and Cash Equivalents	(341)	(21)	(362)
Cash and Cash Equivalents at Beginning of Year	17,698	12,681	30,379
	-----	-----	-----
Cash and Cash Equivalents at End of Year	\$17,357	\$12,660	\$30,017
 <u>Reconciliation of Operating Loss to Net</u>			
<u>Cash Used for Operating Activities:</u>			
Operating Loss	(\$398,457)	(\$21)	(\$398,478)
 <u>Adjustments to Reconcile Operating Loss to</u>			
<u>Net Cash Used for Operating Activities:</u>			
Depreciation	16,518	0	16,518
Donated Commodities Used During Year	44,805	0	44,805
Adjustment for Interest	0	(660)	(660)
Changes in Assets and Liabilities:			
Decrease in Intergovernmental Receivables	20	0	20
Increase in Inventory Held for Resale	(107)	0	(107)
Increase in Accrued Wages and Benefits Payable	13,862	0	13,862
Decrease in Intergovernmental Payable	(2,127)	0	(2,127)
Increase in Compensated Absences Payable	961	0	961
	-----	-----	-----
Total Adjustments	73,932	(660)	73,272
	-----	-----	-----
Net Cash Used for Operating Activities	(\$324,525)	(\$681)	(\$325,206)
 <u>Reconciliation of Cash and Cash Equivalents of</u>			
<u>Nonexpendable Trust Funds to Balance Sheet</u>			
Cash and Cash Equivalents - All Fiduciary Funds		\$38,116	
Cash and Cash Equivalents - Agency Funds		(15,122)	
Cash and Cash Equivalents - Expendable Trust Fund		(10,334)	

Cash and Cash Equivalents - Nonexpendable Trust Funds		\$12,660	

See accompanying notes to the general purpose financial statements

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 60 non-certificated employees, 113 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,858 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

The following entities which perform activities within the 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 entities nor are they fiscally dependent on the School District.

- < Parent Teacher Organizations
- < Booster Associations
- < Alumni Associations

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Joint Vocational School, the Coalition of Rural and Appalachian Schools, and the Scioto County Schools Council. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwest Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Type: (Continued)

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary and nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Scioto County Budget Commission for rate determination.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources:

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

Appropriations:

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

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and certificates of deposits during fiscal year 2000. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Retainage held until the completion of major construction projects is held in separate bank accounts. Retainage accounts held at June 30, 2000 are presented as "Cash with Fiscal Agents" on the balance sheet.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$206,960, which includes \$43,597 assigned from other School District funds. The expendable trust and nonexpendable trust funds also received interest revenue of \$309 and \$660, respectively.

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

E. Inventory

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

F. Prepaid Items

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Eisenhower Professional Development
- Education Management Information Systems
- Adult & Community Education
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI-B
- Drug-Free Education
- Goals 2000
- School Net Professional Development
- Classroom Facilities Maintenance
- Textbook / Instructional Materials
- School-to-Work Grant
- Alternative School Grant
- Tech Literacy Challenge

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

Innovative Education Program Strategy
Class Size Reduction

Capital Projects Funds

School Net
School Net Plus
Technology Equity
Classroom Facilities
Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

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

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-Term Obligations

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations (Continued)

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

K. Interfund Transactions

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

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization and money that will be paid to contractors upon the successful completion of their contracts. See Note 20 for additional information regarding set-asides.

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 3 - ACCOUNTABILITY

At June 30, 2000, the Disadvantaged Pupil Impact Aid Special Revenue Fund and the Classroom Facilities and Emergency Building Repair Capital Project Funds have deficit fund balances of \$124,272, \$32,285, and \$93,312, respectively. The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$271,847)	(\$59,334)	\$12,901	(\$153,141)	\$7,863
Revenue Accruals	(384,990)	(141,777)	(3,787)	0	0
Expenditure Accruals	627,280	61,126	0	(17,760)	0
Advances	(125,597)	0	0	125,597	0
Encumbrances	(614,984)	(121,818)	0	(21,544)	0
Budget Basis	<u>(\$770,138)</u>	<u>(\$261,803)</u>	<u>\$9,114</u>	<u>(\$66,848)</u>	<u>\$7,863</u>

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Proprietary Fund Type and Nonexpendable Trust Fund		
	Enterprise	Nonexpendable Trust
GAAP Basis	(\$31,634)	(\$21)
Revenue Accruals	2,186	0
Expense Accruals	12,589	0
Depreciation	16,518	0
Encumbrances	(868)	0
Budget Basis	(\$1,209)	(\$21)

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.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through 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.

At fiscal year end, the School District had \$300 in undeposited cash on hand.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$10,219 and the bank balance was \$129,103. Of the bank balance, \$110,100 was covered by federal depository insurance and \$18,003 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	Category 3	Carrying / Fair Value
Repurchase Agreements	\$115,926	\$115,926
STAR Ohio	0	3,251,395
Totals	\$115,926	\$3,367,321

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities that use Proprietary Fund Accounting"*.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications 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>	\$3,377,840	\$0
Cash on Hand	(300)	0
Investments:		
Repurchase Agreements	(115,926)	115,926
STAR Ohio	(3,251,395)	3,251,395
<i>GASB Statement No. 3</i>	\$10,219	\$3,367,321

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 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 6 - PROPERTY TAXES (Continued)

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,728,380	82.19%	\$48,685,170	83.14%
Public Utility	6,885,480	11.61%	6,278,750	10.72%
Tangible Personal Property	3,676,480	6.20%	3,596,470	6.14%
Total Assessed Value	<u>\$59,290,340</u>	<u>100.00%</u>	<u>\$58,560,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$26.31		\$25.31	

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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$72,636 in the General Fund, \$1,816 in the Classroom Facilities Special Revenue Fund, and \$16,703 in the Bond Retirement Debt Service Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 7 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Driver Education	\$500
Miscellaneous School District Reimbursements	35,473
Total General Fund	35,973
Special Revenue Funds:	
Adult Basic Literacy Education	8,565
Title VI-B	10,261
Title I	135,008
School-to-Work	2,730
Total Special Revenue Funds	156,564
Total Intergovernmental Receivables	\$192,537

NOTE 8 - FIXED ASSETS

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

Furniture and Equipment	\$341,270
Less Accumulated Depreciation	(146,150)
Net Fixed Assets	\$195,120

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

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$196,908	\$137,155	\$0	\$334,063
Buildings and Improvements	19,039,243	197,901	0	19,237,144
Furniture, Fixtures and Equipment	3,473,135	864,919	144,461	4,193,593
Vehicles	1,562,200	139,257	0	1,701,457
Books	865,262	0	0	865,262
Construction in Progress	0	433,395	0	433,395
Totals	\$25,136,748	\$1,772,627	\$144,461	26,764,914
Accumulated Depreciation				(9,338,568)
Total General Fixed Assets				\$17,426,346

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 2000, the School District contracted with Portsmouth Insurance for property and fleet insurance and inland marine coverage. The School District contracted with Nationwide Insurance for liability insurance. Coverages are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$36,380,599
Inland Marine Coverage (\$1,000 deductible)	10,000
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	5,000
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (\$250-\$500 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 18), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$61,182, \$88,771, and \$116,322, respectively; 41 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$35,970 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$315,820, \$263,401, and \$494,955, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$52,683 representing the unpaid contribution for fiscal year 2000, 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 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$421,094 for fiscal year 2000.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$115,052.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 11- POSTEMPLOYMENT BENEFITS (Continued)

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

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

B. Life Insurance

The School District provides life insurance to employees through CoreSource.

C. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program. The enrollment period for employees was from May 1-15, 2000 for retirement effective July 1, 2000. Participation was open to employees who became eligible for retirement during the 1999-00 school year. A super severance of \$4,000 will be awarded to Northwest Local Education Association members who have obtained 30 years of combined State service. No one participated in this incentive for fiscal year 2000.

D. 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

During fiscal year 2000, and 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.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$357,669. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$41,491 in the governmental funds. The School District entered into the new lease prior to the full retirement of the old lease. Therefore, the balance of \$5,498 remaining on the old lease was eliminated on the financial statements upon entering into the new lease.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTDAG
2001	\$83,979
2002	83,979
2003	83,979
2004	83,979
2005	41,987
Total Minimum Lease Payments	377,903
Less: Amount Representing Interest	(51,013)
Present Value of Minimum Lease Payments	\$326,890

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
1999 School Facilities General Obligations Refunding Bond - 4.50%	\$2,602,882	\$82,890	\$180,000	\$2,505,772
Capital Leases	16,210	357,669	46,989	326,890
Pension Obligation	62,832	74,126	62,832	74,126
Compensated Absences	605,632	19,339	0	624,971
Total General Long-Term Obligations	\$3,287,556	\$534,024	\$289,821	\$3,531,759

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. \$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% - 4.30%. \$529,992 were issued as capital appreciation bonds. The bonds were issued with a \$358,114 premium. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

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 2000, \$82,890 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,505,772 at fiscal year end.

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

On October 28, 1997, Northwest Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$15,413,427 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 605 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,122,843 with an unvoted debt margin of \$58,560 at June 30, 2000.

Principal and interest requirements to retire general obligation bonds at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2001	\$155,000	\$0	\$69,475	\$224,475
2002	165,000	0	63,751	228,751
2003	180,000	0	57,365	237,365
2004	190,000	0	50,285	240,285
2005	200,000	0	42,580	242,580
2006-2010	920,000	266,223	250,410	1,436,633
2011-2015	0	429,549	940,451	1,370,000
Total	<u>\$1,810,000</u>	<u>\$695,772</u>	<u>\$1,474,317</u>	<u>\$3,980,089</u>

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$125,597	\$0
Capital Projects Funds:		
Classroom Facilities	0	32,285
Emergency Building Repair	0	93,312
Total Capital Projects Funds	0	125,597
Total All Funds	\$125,597	\$125,597

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual commitments for window and door replacement at the middle school and Family Resource Center as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/00
Distel Construction, Inc.	\$161,682	\$82,934	\$78,748
Tanner Stone Architects	22,984	21,069	1,915
Concrete Contractor	305,272	241,915	63,357
Ameriblock, Inc.	56,797	36,435	20,362
Mechanicals, Inc.	38,867	28,757	10,110
West End Electric	39,000	22,285	16,715
Total	\$624,602	\$433,395	\$191,207

NOTE 17 - 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, Jackson, Pike, Ross, Scioto, and Vinton Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating member counties, two representatives of the school treasurers, plus the fiscal agent. The School District paid SCOCA \$22,896 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 17 - 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 paid \$300 to the Coalition for services provided during the year.

NOTE 18 - 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 19 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,902,082 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money for the construction of an elementary and a high school, plus remodeling of the existing middle school. As of June 30, 2000, the School District had received a total of \$15,549,150 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 19 - SCHOOL FUNDING COURT DECISION (Continued)

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

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$150,058
Current year set-aside requirement	212,045	212,045	70,682
Current year offsets	0	0	0
Qualifying disbursements	(212,045)	(212,045)	0
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$220,740</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for textbooks and capital acquisitions during the year, and this extra amount may be used to reduce the set-aside requirements of future years, the School District has decided to not carry over such negative balances to the next year. The total reserve balance for the three set-asides at the end of the fiscal year was \$220,740.

NOTE 21 - 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, 2000.

B. Litigation

The School District is not party to any legal proceedings.

NORTHWEST LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 22 - SUBSEQUENT EVENT

Due to recent legislation, the School District will not be required to repay any portion of the classroom facilities loans received by the School District even if their adjusted valuation per pupil exceeds the state median.

Northwest Local School District
Scioto County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$43,217	\$0	\$44,805
National School Breakfast Program	05-PU	10.553	64,663	0	64,663	0
National School Lunch Program	04-PU	10.555	238,021	0	238,021	0
Total United States Department of Agriculture - Nutrition Cluster			302,684	43,217	302,684	44,805
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Title VI-B	6B-SI	84.027	92,347	0	116,532	0
Total Special Education Cluster			92,347	0	116,532	0
Adult and Community Education	AB-S1	84.002	88,018	0	134,327	0
Title 1	C1-S1	84.010	598,207	0	647,276	0
Drug Free Education	DR-S1	84.186	2,419	0	4,514	0
Even Start Family Literacy	EV-S4	84.213	155,905	0	181,760	0
Goals 2000	G2-SU	84.276	9,000	0	5,696	0
Eisenhower Professional Development	MS-S1	84.281	4,609	0	19,426	0
Inovative Education Program Strategy	C2-S1	84.298	4,006	0	10,043	0
Tech Literacy Challenge	TF-32	84.318	225,000	0	309,405	0
Class Size Reduction	CR-S1	84.340	84,417	0	71,151	0
Total United States Department of Education			1,263,928	0	1,500,130	0
United States Department of Labor						
<i>Passed through Ohio Scioto County JVS</i>						
School To Work Grant	NA	17.249	0	0	1,302	0
<i>Passed through Ohio Shawnee State University</i>						
School To Work Grant	NA	17.249	24,618	0	27,371	0
Total United States Department of Labor			24,618	0	28,673	0
Total Federal Financial Assistance			\$1,591,230	\$43,217	\$1,831,487	\$44,805

N/A - not available

See Notes to Schedule of Federal Awards Expenditures

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

MICHAEL A. BALESTRA, CPA, INC.
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on compliance and on internal control over financial reporting 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 general-purpose financial statements of the Northwest Local School District, Scioto County, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information of the audit committee, management, members of the Board, 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.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

December 22, 2000

MICHAEL A. BALESTRA, CPA, INC.
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on compliance with requirements applicable to each major program and 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 the Northwest Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2000. Northwest Local School 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 Northwest Local School District's management. Our responsibility is to express an opinion on Northwest Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Northwest Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Local School District's compliance with those requirements.

In our opinion, Northwest Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Northwest Local School 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 Northwest Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with
OMB circular A-133

Page 2

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

This report is intended for the information of the audit committee, management, members of the Board, 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.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

December 22, 2000

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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

**NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2000**

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

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

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
FEBRUARY 06, 2001**