

NORTHWESTERN LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Northwestern Local School District

We have reviewed the Independent Auditor's Report of the Northwestern Local School District, Wayne County, prepared by Rea & Associates, Inc. for the audit period July 1, 2000 through June 30, 2001. 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 Northwestern Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 3, 2002

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NORTHWESTERN LOCAL SCHOOL DISTRICT
West Salem, Ohio

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 1, 2001
(Except for Note 13 dated
November 2, 2001)

The Board of Education
Northwestern Local School District
West Salem, Ohio 44287

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Northwestern Local School District as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Northwestern Local School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2001, on our consideration of Northwestern 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 *Governmental Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

NORTHWESTERN LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

GOVERNMENTAL FUND TYPES

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 891,030	\$ 207,314	\$ 559,417	\$ 3,944,840
Receivables:				
Taxes	1,763,830	0	448,185	212,573
Accounts	112	369	0	0
Intergovernmental	233,068	2,154	52,921	14,590,363
Accrued Interest	91	0	0	0
Materials and Supplies Inventory	31,484	0	0	0
Prepaid Items	6,600	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	172,311	0	0	0
Fixed Assets:				
Land	0	0	0	0
Building and Building Improvements	0	0	0	0
Furniture, Fixtures, and Equipment	0	0	0	0
Vehicles	0	0	0	0
Textbooks and Library Books	0	0	0	0
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	0	0	0	0
Other Debits				
Amount Available in Debt Service	0	0	0	0
Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 3,098,526	\$ 209,837	\$ 1,060,523	\$ 18,747,776
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$ 17,837	\$ 4,405	\$ 0	\$ 0
Accrued Wages and Benefits	720,751	13,184	0	0
Compensated Absences Payable	0	0	0	0
Intergovernmental Payable	215,598	311	0	0
Deferred Revenue	1,469,766	0	361,291	14,745,606
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bond Payable	0	0	0	0
Total Liabilities	2,423,952	17,900	361,291	14,745,606
Fund Equity and Other Credits				
Investment in Fixed Assets				
Retained Earnings				
Unreserved	0	0	0	0
Fund Balances:				
Reserved				
Reserved for Encumbrances	95,826	33,730	0	0
Reserved for Inventory	31,484	0	0	0
Reserved for Prepaid Items	6,600	0	0	0
Reserved for Tax Revenue Unavailable for Appropriations	294,064	0	86,894	36,249
Reserved for Capital Improvements	0	0	0	3,633,000
Reserved for Budget Stabilization	172,311	0	0	0
Reserved for Bus Purchases	4,453	0	0	0
Unreserved:				
Unreserved, undesignated	69,836	158,207	612,338	332,921
Total Fund Equity and Other Credits	674,574	191,937	699,232	4,002,170
Total Liabilities, Fund Equity and Other Credits	\$ 3,098,526	\$ 209,837	\$ 1,060,523	\$ 18,747,776

See accompanying notes to the general purpose financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS			TOTALS (MEMORANDUM)
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT			
\$ 81,251	\$ 38,051	\$ 486,240	\$ 0	\$ 0	\$ 0	\$ 6,208,143	
0	0	0	0	0	0	2,424,588	
1,090	0	530	0	0	0	2,101	
14,933	0	0	0	0	0	14,893,439	
0	0	0	0	0	0	91	
17,869	0	0	0	0	0	49,353	
0	0	0	0	0	0	6,600	
0	0	0	0	0	0	172,311	
0	0	0	972,387	0	0	972,387	
0	0	0	9,003,097	0	0	9,003,097	
320,861	0	0	2,996,702	0	0	3,317,563	
0	0	0	1,267,119	0	0	1,267,119	
0	0	0	690,977	0	0	690,977	
(209,717)	0	0	0	0	0	(209,717)	
0	0	0	0	0	612,338	612,338	
0	0	0	0	0	8,853,458	8,853,458	
\$ 226,287	\$ 38,051	\$ 486,770	\$ 14,930,282	\$ 9,465,796	\$ 0	\$ 48,263,848	
\$ 0	\$ 0	\$ 116	\$ 0	\$ 0	\$ 0	\$ 22,358	
16,940	0	0	0	0	0	750,875	
7,352	0	0	0	519,154	0	526,506	
4,986	0	0	0	83,642	0	304,537	
13,800	0	0	0	0	0	16,590,463	
0	0	459,242	0	0	0	459,242	
0	9,330	0	0	0	0	9,330	
0	0	0	0	3,803,000	0	3,803,000	
0	0	0	0	5,060,000	0	5,060,000	
43,078	9,330	459,358	0	9,465,796	0	27,526,311	
			14,930,282			14,930,282	
181,289	28,721	0	0	0	0	210,010	
1,920	0	4,371	0	0	0	135,847	
0	0	0	0	0	0	31,484	
0	0	0	0	0	0	6,600	
0	0	0	0	0	0	417,207	
0	0	0	0	0	0	3,633,000	
0	0	0	0	0	0	172,311	
0	0	0	0	0	0	4,453	
0	0	23,041	0	0	0	1,196,343	
183,209	28,721	27,412	14,930,282	0	0	20,737,537	
\$ 226,287	\$ 38,051	\$ 486,770	\$ 14,930,282	\$ 9,465,796	\$ 0	\$ 48,263,848	

NORTHWESTERN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Equity
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Intergovernmental	\$ 5,459,846	\$ 554,602	\$ 55,456	\$ 321,553
Interest	88,512	7,373	0	92,188
Tuition and Fees	238,183	0	0	0
Rent	1,604	0	0	0
Extracurricular Activities	0	266,026	0	0
Gifts and Donations	0	35,762	0	0
Income Tax	1,322,984	0	0	0
Property & Other Local Taxes	2,027,803	0	521,763	219,671
Miscellaneous	130,142	0	0	154
Total Revenues	9,269,074	863,763	577,219	633,566
Expenditures				
Current:				
Instruction:				
Regular	4,156,160	225,177	0	72,191
Special	522,125	202,299	0	0
Vocational	564,455	0	0	0
Other	361,700	0	0	0
Support services:				
Pupils	293,443	192,362	0	0
Instructional Staff	260,254	46,702	0	0
Board of Education	52,388	0	0	0
Administration	869,356	57,396	0	0
Fiscal	237,149	0	8,995	3,887
Operation and Maintenance of Plant	830,130	1,440	0	0
Pupil Transportation	631,704	0	0	0
Central	46,170	5,209	0	0
Non-Instructional Services	1,200	0	0	0
Extracurricular activities	196,383	132,157	0	0
Capital Outlay	27,757	0	0	364,271
Debt Service:				
Principal	0	0	180,000	0
Interest and Fees	0	0	326,801	0
Total Expenditures	9,050,374	862,742	515,796	440,349
Excess of Revenues Over (Under) Expenditures	218,700	1,021	61,423	193,217
Other Financing Sources (Uses)				
Operating Transfers In	0	0	96,678	0
Proceeds From Sale of Long-term Notes	0	0	0	3,633,000
Operating Transfers Out	(96,678)	0	0	0
Total Other Financing Sources and (Uses)	(96,678)	0	96,678	3,633,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	122,022	1,021	158,101	3,826,217
Fund Balance (Deficit) at Beginning of Year	545,382	190,916	541,131	175,953
Increase in Reserve for Inventory	7,170	0	0	0
Fund Balance at End of Year	\$ 674,574	\$ 191,937	\$ 699,232	\$ 4,002,170

See accompanying notes to the general purpose financial statements.

**FIDUCIARY
FUND TYPE**

EXPENDABLE TRUST	TOTALS (MEMORANDUM)
\$ 0	\$ 6,391,457
1,411	189,484
0	238,183
0	1,604
4,794	270,820
0	35,762
0	1,322,984
0	2,769,237
3,335	133,631
<u>9,540</u>	<u>11,353,162</u>
0	4,453,528
0	724,424
0	564,455
0	361,700
0	485,805
3,645	310,601
0	52,388
0	926,752
0	250,031
0	831,570
0	631,704
0	51,379
6,000	7,200
0	328,540
0	392,028
0	180,000
0	326,801
<u>9,645</u>	<u>10,878,906</u>
(105)	474,256
0	96,678
0	3,633,000
0	(96,678)
<u>0</u>	<u>3,633,000</u>
(105)	4,107,256
18,958	1,472,340
0	7,170
<u>\$ 18,853</u>	<u>\$ 5,586,766</u>

NORTHWESTERN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis)

All Governmental Fund Types and Expendable Trust Funds

For the year ended June 30, 2001

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE
Revenues			
Taxes	\$ 3,129,383	\$ 3,127,036	\$ (2,347)
Intergovernmental	5,398,089	5,459,846	61,757
Interest	76,834	88,479	11,645
Tuition and Fees	219,011	243,085	24,074
Rent	2,100	1,604	(496)
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	153,877	130,189	(23,688)
Total Revenues	8,979,294	9,050,239	70,945
Expenditures			
Current:			
Instruction:			
Regular	4,561,059	4,165,142	395,917
Special	522,988	518,860	4,128
Vocational	469,172	558,362	(89,190)
Other	366,187	385,522	(19,335)
Support services:			
Pupils	298,645	291,515	7,130
Instructional Staff	346,660	365,687	(19,027)
Board of Education	60,309	61,752	(1,443)
Administration	688,668	704,676	(16,008)
Fiscal	228,979	235,072	(6,093)
Operation and Maintenance of Plant	768,892	864,267	(95,375)
Pupil Transportation	584,388	639,662	(55,274)
Central	46,087	47,414	(1,327)
Non-Instructional Services	1,200	1,200	0
Extracurricular activities	201,793	196,491	5,302
Capital Outlay	0	27,756	(27,756)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fees	0	0	0
Total Expenditures	9,145,027	9,063,378	81,649
Excess of Revenues Over (Under) Expenditures	(165,733)	(13,139)	152,594
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	(191,678)	(96,678)	95,000
Proceeds from Sale of Long-Term Notes	0	0	0
Total Other Financing Sources (Uses)	(191,678)	(96,678)	95,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(357,411)	(109,817)	247,594
Fund Balances at Beginning of Year	921,325	921,325	0
Prior Year Encumbrances Appropriated	138,169	138,169	0
Fund Balance at end of Year	\$ 702,083	\$ 949,677	\$ 247,594

See accompanying notes to the general purpose financial statements.

SPECIAL REVENUE		
REVISED BUDGET	ACTUAL	VARIANCE
\$ 0	\$ 0	\$ 0
567,588	554,602	(12,986)
4,885	7,373	2,488
0	0	0
0	0	0
193,570	264,806	71,236
23,800	35,762	11,962
0	0	0
<u>789,843</u>	<u>862,543</u>	<u>72,700</u>

DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE
\$ 444,700	\$ 455,974	\$ 11,274
52,500	55,457	2,957
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>497,200</u>	<u>511,431</u>	<u>14,231</u>

60,682	244,259	(183,577)
110,452	211,187	(100,735)
0	0	0
0	0	0
168,638	194,311	(25,673)
298	46,702	(46,404)
0	0	0
70,069	60,770	9,299
0	0	0
1,564	1,440	124
0	0	0
8,500	5,209	3,291
0	0	0
102,098	133,189	(31,091)
0	0	0
0	0	0
0	0	0
<u>522,301</u>	<u>897,067</u>	<u>(374,766)</u>

0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
8,000	8,995	(995)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
180,000	180,000	0
326,802	326,801	1
<u>514,802</u>	<u>515,796</u>	<u>(994)</u>

267,542	(34,524)	(302,066)
0	0	0
(3,750)	0	3,750
0	0	0
<u>(3,750)</u>	<u>0</u>	<u>3,750</u>

(17,602)	(4,365)	13,237
96,678	96,678	0
0	0	0
0	0	0
<u>96,678</u>	<u>96,678</u>	<u>0</u>

263,792	(34,524)	(298,316)
174,908	174,908	0
27,795	27,795	0
<u>\$ 466,495</u>	<u>\$ 168,179</u>	<u>\$ (298,316)</u>

79,076	92,313	13,237
467,105	467,105	0
0	0	0
<u>\$ 546,181</u>	<u>\$ 559,418</u>	<u>\$ 13,237</u>

(continued)

NORTHWESTERN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis)

All Governmental Fund Types and Expendable Trust Funds

For the year ended June 30, 2001

	CAPITAL PROJECTS		
	REVISED BUDGET	ACTUAL	VARIANCE
Revenues			
Taxes	\$ 182,200	\$ 192,197	\$ 9,997
Intergovernmental	107,700	321,553	213,853
Interest	33,500	92,188	58,688
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	1,500	154	(1,346)
Total Revenues:	324,900	606,092	281,192
Expenditures			
Current:			
Instruction:			
Regular	122,628	95,192	27,436
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	3,600	3,887	(287)
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	0	0	0
Capital Outlay	593,655	364,271	229,384
Debt Service:			
Principal Retirement	0	0	0
Interest and Fees	0	0	0
Total Expenditures	719,883	463,350	256,533
Excess of Revenues Over (Under) Expenditures	(394,983)	142,742	537,725
Other Financing Sources & Uses/Nonoperating			
Operating Transfers In	25,000	0	(25,000)
Operating Transfers Out	0	0	0
Proceeds from Sales of Long-Term Notes	3,383,000	3,633,000	250,000
Total Other Financing Sources	3,408,000	3,633,000	225,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,013,017	3,775,742	762,725
Fund Balances at Beginning of Year	106,615	106,615	0
Prior Year Encumbrances Appropriated	39,483	39,483	0
Fund Balance at end of Year	\$ 3,159,115	\$ 3,921,840	\$ 762,725

See accompanying notes to the general purpose financial statements.

EXPENDABLE TRUST		
REVISED BUDGET	ACTUAL	VARIANCE
\$ 0	\$ 0	\$ 0
0	0	0
785	1,411	626
0	0	0
0	0	0
5,500	4,794	(706)
3,000	0	(3,000)
7,000	3,335	(3,665)
<u>16,285</u>	<u>9,540</u>	<u>(6,745)</u>

TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE
\$ 3,756,283	\$ 3,775,207	\$ 18,924
6,125,877	6,391,458	265,581
116,004	189,451	73,447
219,011	243,085	24,074
2,100	1,604	(496)
199,070	269,600	70,530
26,800	35,762	8,962
162,377	133,678	(28,699)
<u>10,607,522</u>	<u>11,039,845</u>	<u>432,323</u>

0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
8,290	4,444	3,846
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
14,000	6,000	8,000
0	0	0
0	0	0
0	0	0
0	0	0
<u>22,290</u>	<u>10,444</u>	<u>11,846</u>

4,744,369	4,504,593	239,776
633,440	730,047	(96,607)
469,172	558,362	(89,190)
366,187	385,522	(19,335)
467,283	485,826	(18,543)
355,248	416,833	(61,585)
60,309	61,752	(1,443)
758,737	765,446	(6,709)
240,579	247,954	(7,375)
770,456	865,707	(95,251)
584,388	639,662	(55,274)
54,587	52,623	1,964
15,200	7,200	8,000
303,891	329,680	(25,789)
593,655	392,027	201,628
180,000	180,000	0
326,802	326,801	1
<u>10,924,303</u>	<u>10,950,035</u>	<u>(25,732)</u>

(6,005)	(904)	5,101
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>

(316,781)	89,810	406,591
121,678	96,678	(25,000)
(195,428)	(96,678)	98,750
3,383,000	3,633,000	250,000
<u>3,309,250</u>	<u>3,633,000</u>	<u>323,750</u>

(6,005)	(904)	5,101
18,732	18,732	0
280	280	0
<u>\$ 13,007</u>	<u>\$ 18,108</u>	<u>\$ 5,101</u>

2,992,469	3,722,810	730,341
1,688,685	1,688,685	0
205,727	205,727	0
<u>\$ 4,886,881</u>	<u>\$ 5,617,222</u>	<u>\$ 730,341</u>

NORTHWESTERN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Fund Equity

All Proprietary Fund Types and Similar Trust Funds

For the Year Ended June 30, 2001

	PROPRIETARY FUND TYPES		FIDUCIARY	TOTALS (MEMORANDUM)
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	
Operating Revenues				
Sales	\$ 277,661	\$ 0	\$ 0	\$ 277,661
Charges for Services	0	88,950	0	88,950
Interest	0	0	601	601
Other	0	0	500	500
Total Operating Revenues	277,661	88,950	1,101	367,712
Operating Expenses				
Salaries	139,029	0	0	139,029
Fringe Benefits	69,673	0	0	69,673
Purchased Services	15,536	76,498	0	92,034
Materials and Supplies	174,634	0	0	174,634
Depreciation	16,612	0	0	16,612
Other	52	0	1,044	1,096
Capital Outlay	1,458	0	0	1,458
Total Operating Expenses	416,994	76,498	1,044	494,536
Operating Income (Loss)	(139,333)	12,452	57	(126,824)
Non-Operating Revenues				
Interest	1,034	0	0	1,034
Federal and State Subsidies	130,254	0	0	130,254
Other	(940)	0	0	(940)
Total Non-Operating Revenues	130,348	0	0	130,348
Net Income (Loss)	(8,985)	12,452	57	3,524
Retained Earnings (Deficit) at Beginning of Year	192,194	16,269	8,502	216,965
Total Fund Equity at End of Year	\$ 183,209	\$ 28,721	\$ 8,559	\$ 220,489

See accompanying notes to the general purpose financial statements.

NORTHWESTERN LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Non-Expendable Trust	Totals (Memorandum Only)
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 277,661	\$ 88,950	\$ 500	\$ 367,111
Cash Paid for Goods and Services	(189,643)	(81,034)	0	(270,677)
Cash Paid to Employees	(226,453)	0	0	(226,453)
Other Operating Income	(1,510)	0	(1,044)	(2,554)
Net Cash Provided By (Used For) Operating Activities	(139,945)	7,916	(544)	(132,573)
Cash Flows From Non-Capital Financing Activities				
Grants	130,254	0	0	130,254
Net Cash Provided By Non-Capital Activities	130,254	0	0	130,254
Cash Flows From Investing Activities				
Other	(940)	0	0	(940)
Investment Income	1,034	0	601	1,635
Net Cash Provided By (Used For) Investing Activities	94	0	601	695
Net Increase (Decrease) in Cash and Cash Equivalents	(9,597)	7,916	57	(1,624)
Cash and Cash Equivalents at Beginning of Year	90,848	30,135	8,502	129,485
Cash and Cash Equivalents at End of Year	\$ 81,251	\$ 38,051	\$ 8,559	\$ 127,861
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities				
Operating Income (Loss)	\$ (139,333)	\$ 12,452	\$ 57	\$ (126,824)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:				
Depreciation	16,612	0	0	16,612
(Increase) Decrease in Assets				
Accounts Receivable	(13,912)	0	0	(13,912)
Inventory	(1,277)	0	0	(1,277)
Increase (Decrease) in Liabilities				
Accrued Wages and Benefits	(53)	0	0	(53)
Accounts Payable	(1,982)	(4,536)	0	(6,518)
Interest reported as operating income	0	0	(601)	(601)
Total Adjustments	(612)	(4,536)	(601)	(5,749)
Net Cash Provided By (Used For) Operating Activities	\$ (139,945)	\$ 7,916	\$ (544)	\$ (132,573)
Reconciliation of Non-Expendable Trust Fund Cash Balance as of June 30, 2001				
Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency			\$ 486,240	
Cash and Cash Equivalents Agency Fund			(458,712)	
Cash and Cash Equivalents Expendable Trust			(18,969)	
Cash and Cash Equivalents Non-Expendable Trust Funds as of June 30, 2001			<u>\$ 8,559</u>	

See accompanying notes to the general purpose financial statements.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Northwestern Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2000, was 1,450. The District employs 108 certificated and 62 non-certificated employees.

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

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

Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the Northwestern Local School District are organized and operated on the basis of funds and account groups to report on its' financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay the liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which are levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported 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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund.

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

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

Capital Projects Fund – 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 or nonexpendable trust funds.

Proprietary Fund Types

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 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 in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, The District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operation unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary fund types include the following fund types:

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

Internal Service Fund – The internal service fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds – Expendable trust funds are accounted for in essentially the same manner as the governmental fund types.

Nonexpendable Trust Funds – The nonexpendable trust funds are accounted for in essentially the same manner as the proprietary fund types.

Agency Funds – The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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 fixed assets of the District, other than those accounted for in proprietary or nonexpendable trust funds.

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

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates fair value at year-end. Cash deposits are reported as carrying amount, which reasonably estimates fair value.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

C. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook/instruction materials reserve, and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only for purposes specified by the statute. The capital maintenance reserve and textbook/instruction materials reserve can only be used for capital outlay expenditure and instructional materials and equipment, respectively. During fiscal year 2001, the District set aside the amounts required by State statute. Fund balance reserves have also been established.

D. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

F. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District considers only the sewage treatment plants at the High School and Chester Elementary as infrastructure.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. FIXED ASSETS AND DEPRECIATION (continued)

Fixed assets, which are used in proprietary fund type activities, are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

G. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

H. UNPAID COMPENSATED ABSENCES

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

I. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

J. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented GASB Statement No.33, "Accounting and Financial Reporting for Nonexchange Transactions". The statement established accounting and reporting guidelines for governments' decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement NO. 33 did not have a material effect on fund balance/retained earnings as it was previously reported as of June 30, 2001.

A. 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 required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

B. BUDGETARY BASIS

Tax Budget

A budget of estimated revenue and expenditures is submitted to the Wayne County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states that projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. BUDGETARY BASIS (continued)

The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

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. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. BUDGETARY BASIS (continued)

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

The adjustment necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)
- Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ (109,817)	\$ (34,524)	\$ 92,313	\$ 3,775,742	\$ (904)
Adjustments, increase (decrease)					
Revenue accruals	218,835	1,220	65,788	27,474	0
Expenditures accruals	(82,822)	595	0	23,001	799
Encumbrances	95,826	33,730	0	0	0
GAAP basis, as reported	\$ 122,022	\$ 1,021	\$ 158,101	\$ 3,826,217	\$ (105)

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 4 DEPOSITS AND INVESTMENTS

The Northwestern Local School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Equivalents."

A. LEGAL REQUIREMENTS

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 had 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 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 or deposit accounts including passbook accounts.

Protection to 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 can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (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, with the term of the agreement not exceeding thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate 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 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 investment may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS AND CASH

At year-end, the carrying amount of the District's deposits was \$82,619 and the bank balance was \$179,073, of which \$100,000 was covered by federal depository insurance, following all state statutory requirements for the deposit of money.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

GASB Statement No. 3 “Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reserve Repurchase Agreements” requires the District to categorize investments to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District’s name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty’s trust department or agent in the 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 District’s name.

Statutory provisions require that all securities acquired by the District be held by the District treasurer or deposited with a qualified trustee. Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
Investment in State Treasurer's Investment Pool	<u>\$ 6,297,835</u>	<u>\$ 6,297,835</u>

NOTE 5 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	Balance July 1, 2000	Additions	Disposals	Balance June 30, 2001
Land	\$ 642,547	\$ 329,840	\$ 0	\$ 972,387
Buildings and building improvements	9,003,097	0	0	9,003,097
Furniture, fixtures and equipment	2,725,079	271,623	0	2,996,702
Vehicles	1,260,119	7,000	0	1,267,119
Textbooks and library books	690,977	0	0	690,977
	<u>\$ 14,321,819</u>	<u>\$ 608,463</u>	<u>\$ 0</u>	<u>\$ 14,930,282</u>

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

Enterprise	Balance June 30, 2001
Equipment	\$ 320,861
Less Accum Depreciation	(209,717)
	\$ 111,144

NOTE 6 GENERAL LONG-TERM DEBT

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
General Obligation Bonds				
4.5% to 7.2%	\$ 5,010,000	\$ 0	\$ 105,000	\$ 4,905,000
5.14%	200,000	0	45,000	155,000
Notes payable HB 264 - 5.6%	200,000	0	30,000	170,000
Bond Anticipation Note Payable				0
3.95 % Due October 23, 2001	0	3,633,000	0	3,633,000
Accrued leave	465,950	93,038	39,834	519,154
SERS	73,646	83,642	73,646	83,642
	\$ 5,949,596	\$ 3,809,680	\$ 293,480	\$ 9,465,796

Outstanding general obligation bonds consist of school building construction issues and school bus issues. General obligation bonds are direct obligations of the District for which it's full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District. The annual requirement to amortize all debt outstanding as of June 30, 2001, including interest payments of \$5,886,761 is as follows:

Year Ending June 30,	
2002	\$ 680,666
2003	742,038
2004	770,544
2005	724,800
2006	779,588
Remaining	11,052,125
Total	\$ 14,749,761

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 7 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Wayne and Ashland County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Wayne and Ashland County Auditor reappraises real property every six years with a triennial update, which last update was completed for 1999. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Wayne and Ashland County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$31.70 per \$1,000 of valuation in Wayne County and \$31.50 per \$1,000 in Ashland County. The effective rate applied after adjustment for inflationary increases in property values was \$27.32 per \$1,000 of assessed valuation for residential and agricultural real property in Wayne County and \$27.11 per \$1,000 in Ashland County, and \$27.83 per \$1,000 of assessed valuation for other real property in Wayne County and \$27.63 per \$1,000 in Ashland County.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2000 was \$31.70 per \$1,000 of valuation in Wayne County and \$31.50 per \$1,000 in Ashland County.

The property valuation consisted of:

	Wayne County	Ashland County
	<u> </u>	<u> </u>
Real Property - 2000		
Residential/Agricultural	\$ 69,676,340	\$ 3,863,600
Commerical/Industrial	6,407,500	131,950
Public Utilities	28,090	0
Mineral	3,869,520	0
Tangible Personal Property - 2001		
General	6,226,562	44,222
Public Utilities	4,424,380	587,060
	<u> </u>	<u> </u>
Total Valuation	<u>\$ 90,632,392</u>	<u>\$ 4,626,832</u>

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 7 PROPERTY TAXES (continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2001, was as follows:

<u>County</u>	<u>Advance Amount</u>
Wayne	\$ 399,331
Ashland	<u>17,876</u>
Total	<u>\$ 417,207</u>

NOTE 8 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Northwestern Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. SERS issued a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement Systems, 45 North Front Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and Northwestern Local School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Northwestern Local School District are established and may be amended by the SERS Board of Trustees. The School District's contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$202,182, \$185,076, and \$183,738, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$106,872 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term debt account group.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 8 PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Northwestern Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Northwestern Local School District is required to contribute an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Northwestern Local School District are established and may be amended by the STRS Board of Trustees. The School District's contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$653,472, \$615,000, and \$576,660, respectively; 85.4 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$111,328 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

NOTE 9 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2000, (the latest information available) the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000 (the latest information available), the minimum pay has been established as \$12,400.

Health care benefits are financed on a pay-as-you-go basis.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 9 POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEMS (SERS) (continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion employer contributions that were used to fund postemployment benefits was \$134,431.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Board. The balance in the Health Care Reserve Fund was \$3,419 million at June 30, 2000 (the latest information available). For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 10 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating revenues	<u>\$ 235,869</u>	<u>\$ 41,792</u>	<u>\$ 277,661</u>
Operating expenses			
Salaries and wages	139,029	0	139,029
Fringe benefits	69,673	0	69,673
Purchased services	15,536	0	15,536
Materials and supplies	132,354	42,280	174,634
Other expenses	1,510	0	1,510
Depreciation	<u>16,612</u>	<u>0</u>	<u>16,612</u>
Total operating expenses	<u>374,714</u>	<u>42,280</u>	<u>416,994</u>
Operating income (loss)	(138,845)	(488)	(139,333)
Non-operating revenues, net	<u>130,348</u>	<u>0</u>	<u>130,348</u>
Net income (loss)	<u>\$ (8,497)</u>	<u>\$ (488)</u>	<u>\$ (8,985)</u>
Other information			
Net working capital	<u>\$ 18,612</u>	<u>\$ 53,453</u>	<u>\$ 72,065</u>
Fixed assets, net	<u>\$ 111,144</u>	<u>\$ 0</u>	<u>\$ 111,144</u>
Total assets	<u>\$ 172,834</u>	<u>\$ 53,453</u>	<u>\$ 226,287</u>
Total equity	<u>\$ 129,756</u>	<u>\$ 53,453</u>	<u>\$ 183,209</u>

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 11 JOINTLY GOVERNED ORGANIZATIONS

A. TRI-COUNTY COMPUTER SERVICES ASSOCIATION (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland-Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio, 44691. During the year ended June 30, 2001 the District paid approximately \$22,095 to TCCSA for basic service charges.

NOTE 12 RISK MANAGEMENT

The 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. The District has a comprehensive property and casualty policy, with Nationwide Insurance. The deductible is \$1,000 per incident. All vehicles are also insured with Nationwide Insurance Company and have a \$100 deductible. All board members, administrators, and employees are covered under a school district liability policy with Nationwide. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with Nationwide Insurance.

The treasurer is covered under a surety bond in the amount of \$20,000. This bond is provided by the Ohio Farmers Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

The district has established a risk management program for dental benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claims reserves and administrative costs of the program.

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 12 RISK MANAGEMENT (continued)

Charges in the fund's claims liability amount in 2000 and 2001 were:

	Balance at Beginning <u>Of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2000	\$ 9,873	\$ 70,590	\$ 66,596	\$ 13,867
2001	\$ 13,867	\$ 71,734	\$ 76,271	\$ 9,330

NOTE 13 STATE SCHOOL FUNDING DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 23, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

NORTHWESTERN LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 14 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 164,594	\$ 164,594
Current Year Set-Aside Requirement	197,021	197,021	0	394,042
Current year qualifying disbursements	(225,627)	0	0	(225,627)
Additional Set Aside	0	0	7,717	7,717
Prior year excess qualifying disbursements	<u>(14,370)</u>	<u>(230,900)</u>	<u>0</u>	<u>(245,270)</u>
Total	<u>\$ (42,976)</u>	<u>\$ (33,879)</u>	<u>\$ 172,311</u>	<u>\$ 95,456</u>
Cash Balance Carried Forward	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,311</u>	<u>\$ 172,311</u>
Amount Restricted for Set-Asides				<u>\$ 172,311</u>
Total Restricted Assets				<u>\$ 172,311</u>

Effective April 10, 2001 the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, transferred to the Classroom Facilities fund, or returned to the General fund and used at the discretion of the district's Board of Education.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

NOTE 15 SUBSEQUENT EVENT

Subsequent to June 30, 2001, the District issued bonds and paid the bond anticipation note.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 1, 2001

The Board of Education
Northwestern Local School District
West Salem, Ohio 44287

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

We have audited the general purpose financial statements of Northwestern Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 1, 2001 (except for Note 13 dated November 2, 2001). We have conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northwestern Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Northwestern Local School District in a separate letter dated November 1, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwestern 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 of 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Northwestern Local School District in a separate letter dated November 1, 2001.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 1, 2001

The Board of Education
Northwestern Local School District
West Salem, Ohio 44287

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

Compliance

We have audited the compliance of Northwestern 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 each of its major federal programs for the year ended June 30, 2001. Northwestern Local School District's major federal programs are 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 each of its major federal programs is the responsibility of Northwestern Local School District's management. Our responsibility is to express an opinion on Northwestern 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 Circulars 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 Northwestern 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 Northwestern Local School District's compliance with those requirements.

In our opinion, Northwestern Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Northwestern 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 Northwestern 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.

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.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the general purpose financial statements of Northwestern Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated November 1, 2001 (except for Note 13, dated November 2, 2001). Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Northwestern Local School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Kea & Associates, Inc.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS - NON-GAAP BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Transactions
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-01	\$ 139,384	\$ 139,384	\$ 0
Total Title I			139,384	139,384	0
Title VI-B	84.027	6B-ST-00	50,000	90,829	0
Title VI-B	84.027	6B-SF-01P	97,825	97,825	0
Total Title VI-B			147,825	188,654	0
Drug Free Schools	84.186	DR-S1-01	6,088	926	0
Total Drug Free Schools			6,088	926	0
Eisenhower Grant	84.281	MS-S1-01	5,420	3,344	0
Total Eisenhower Grant			5,420	3,344	0
Title VI	84.298	C2-S1-01	7,265	7,265	0
Total Title VI			7,265	7,265	0
Tech Literacy Challenge Fund	84.318	TLCF	150,000	150,000	0
Total Tech Literacy Challenge Fund			150,000	150,000	0
Title VI-R	84.340	CR-S1-01	24,871	24,871	0
Total Title VI-R			24,871	24,871	0
Total Department of Education			480,853	514,444	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
<i>Nutrition Cluster</i>					
Food Distribution (A) (B)	10.550		48,105	0	46,932
School Breakfast Program (A)	10.553		5,729	5,729	0
National School Lunch Program (A)	10.555		103,404	103,404	0
Total Department of Agriculture - Nutrition Cluster			157,238	109,133	46,932
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 638,091	\$ 623,577	\$ 46,932

- (A) Federal money commingled with state subsidy reimbursements. It is assumed the money was spent on a first-in, first-out basis.
(B) Government commodities are reported at the fair market value of the commodities received and disbursed.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I, CFDA #84.010 Tech Literacy Challenge Fund, CFDA #84.318
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

NORTHWESTERN LOCAL SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2002**