



**Auditor of State  
Betty Montgomery**



**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northwestern Local School District, Clark County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for the 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 also not a required part of the basic financial statements. We subjected the schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 9, 2004

**Northwestern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
**Unaudited**

The discussion and analysis of Northwestern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- Assets, excluding capital assets, exceeded total liabilities at the close of the most recent fiscal year by \$1.54 million. Of this amount, \$.74 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$13.10 million in revenue or 91.64 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.20 million or 8.36 percent of total revenues of \$14.30 million.
- Assets, excluding capital assets, decreased by \$.67 million including a decrease in cash and cash equivalents of \$.03 million and taxes receivable decrease of \$.57.
- The School District had \$13.42 million in expenses related to governmental activities; only \$1.20 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13.10 million, along with cash balances, were adequate to provide for these programs.
- Among major funds, the general fund had \$12.94 million in revenues and \$12.25 in expenditures. The general fund's balance at the close of the current year was 18.63 percent of the current year's expenditures.

***Overview of the Financial Statements***

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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Management's Discussion and Analysis  
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**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 13 - 14 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and



**Northwestern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
**Unaudited**

the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund which is considered a major fund. Data from the other eighteen governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 - 17 of this report.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 18 of this report.

*Notes to the Financial Statement.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on starts on page 19 of this report.

***Government-Wide Financial Analysis***

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2003 to 2002.

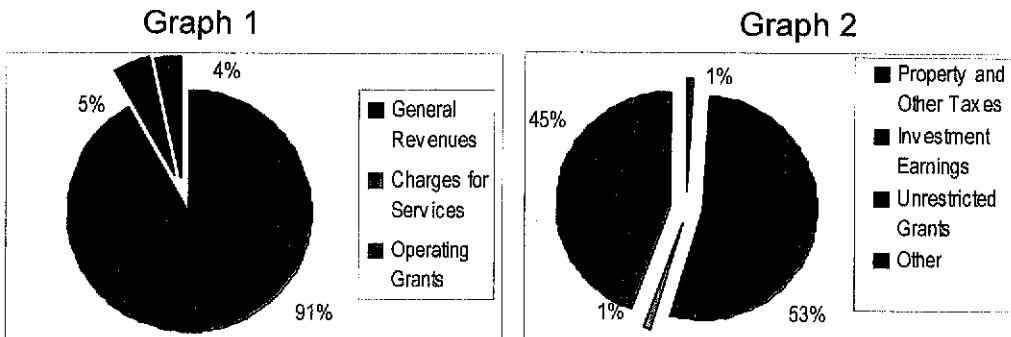
*Table 1*  
*Net Assets*  
*(in Millions)*

	<u>2003</u>	<u>2002</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$9.17	\$9.84	(\$0.67)
Capital Assets	<u>7.41</u>	<u>7.20</u>	<u>0.21</u>
<b>Total Assets</b>	<u>16.58</u>	<u>17.04</u>	<u>(0.46)</u>

**Northwestern Local School District**  
**Management's Discussion and Analysis**  
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**Unaudited**

	2003	2002	Change
<b>Liabilities</b>			
Long-term Liabilities	(\$1.66)	(\$1.22)	(\$0.44)
Other Liabilities	(5.96)	(7.74)	1.78
<i>Total Liabilities</i>	<u>(7.62)</u>	<u>(8.96)</u>	<u>1.34</u>
<b>Net Assets</b>			
Invested in Capital Assets	7.41	7.20	0.21
Restricted for:			
Grants	0.05	0.13	(0.08)
State Mandates	0.04	0.04	0.00
Capital Improvements	0.71	0.70	0.01
Unrestricted	<u>0.74</u>	<u>0.01</u>	<u>0.73</u>
<i>Total Net Assets</i>	<u><u>\$8.95</u></u>	<u><u>\$8.08</u></u>	<u><u>\$0.87</u></u>

Graphs 1 and 2 break down the School District's revenue into percentages by type of revenue.



**Northwestern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
**Unaudited**

Table 2 shows the revenue for the School District as a whole during fiscal year 2003.

*Table 2*  
*Revenues*  
*(in Millions)*

	<b>Total Revenue</b>
<b>Revenues</b>	
<i>Program Revenues</i>	
Charges for Services	\$0.68
Operating Grants/Contributions	0.51
<i>General Revenues</i>	
Property and Other Taxes	5.84
Unrestricted Grants	7.02
Investment Earnings	0.08
Other	0.15
<i>Total Revenues</i>	<b>\$14.28</b>

Table 3 shows total program expenses and cost per pupil.

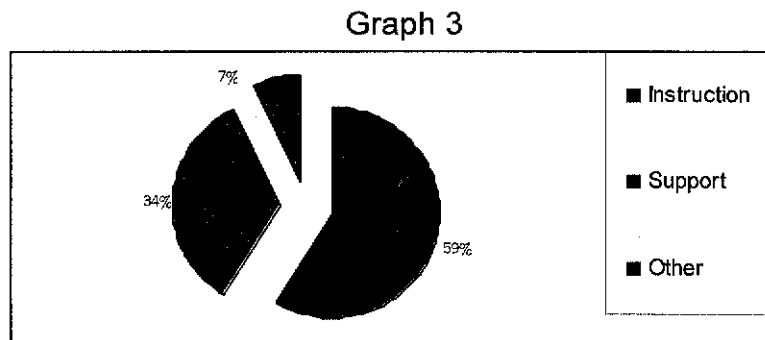
*Table 3*  
*Total Program Expenses*  
*(in millions for Total Program Expense)*

	<b>Program Expense</b>	<b>Net Program Expense</b>
<b>Program Expenses</b>		
<i>Instruction</i>		
Regular	\$6.09	\$5.87
Special	1.52	1.16
Other	0.26	0.26
<i>Support Services:</i>		
Pupil/Staff	1.22	1.17
Administration	1.00	1.00
Maintenance	1.09	1.09

**Northwestern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
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	Program Expense	Net Program Expense
<b>Program Expenses</b>		
Transportation	\$0.87	\$0.87
Other	0.45	0.45
Food Services/Latchkey	0.49	0.00
Extracurricular Activities	0.37	0.29
Interest and Fiscal Charges	0.06	0.06
<b>Total Expenses</b>	<b>\$13.42</b>	<b>\$12.22</b>

Graph 3 shows a breakdown of expenditures by percentages in the major categories.



***Capital Assets***

At the end of the year, the School District had \$7,045,262 invested in land, buildings, equipment, and vehicles less accumulated depreciation. Table 4 shows the breakdown of the individual classes for capital assets:

**Northwestern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
**Unaudited**

*Table 4*  
*Capital Assets*

<u>Class</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$821,047	\$0	\$821,047
Buildings and Improvements	10,478,882	5,245,907	5,232,975
Furniture and Equipment	2,567,403	1,593,188	974,215
Vehicles	1,275,461	898,436	377,025
Totals	<u>\$15,142,793</u>	<u>\$7,737,531</u>	<u>\$7,405,262</u>

***The Major Funds***

The School District's major funds start on page 15. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. All governmental funds had total revenues of \$14.28 million and expenditures of \$13.95 million. The net change in fund balance for the year was most significant in the general fund, an increase of \$.45 million.

The general fund recognized \$1.35 million in current liabilities for fiscal year 2003. Accrued salaries and benefits accounted for 77.20% of those liabilities. Taxes Receivable accounted for 99.98% of the \$5.33 million receivables in the general fund.

***General Fund Budgetary***

Table 5 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2003.

*Table 5*  
*Original Budget versus Final Budget for General Fund Revenues*

	<u>Budget</u>	
	<u>Original</u>	<u>Final</u>
<u>Revenues</u>		
Property and Other Local Taxes	\$5,323,534	\$5,247,451
Intergovernmental	7,105,507	7,003,958
Other	267,541	263,718
Total Revenues	<u>\$12,696,582</u>	<u>\$12,515,127</u>

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The original revenue estimates come from the Tax Budget completed in January 2002. The County Auditor completes the tax estimates. The final amounts are lower due to a drop in personal property values. The county auditor also included "Rollback and Homestead" estimates in the tax line.

State revenue makes up the majority of the intergovernmental revenue. At the time the tax budget was completed, a higher student count was estimated by the School District. In previous years, the School District received funds due to open enrollment. In fiscal year 2003, the School District lost funds in open enrollment. The State of Ohio also cut funding in the spring of 2003. This was an unexpected loss of over \$93,000 to the district.

Table 6 depicts the change from the original to the final general fund expenditure budget for the fiscal year ended June 30, 2003.

*Table 6*  
*Original Budget versus Final Budget for General Fund Expenditures*

	Budget	
	Original	Final
<u>Expenditures</u>		
Instruction	\$8,142,096	\$7,280,554
Support Services	5,481,837	4,901,782
Other	473,458	423,360
Total Expenditures	<u>\$14,097,391</u>	<u>\$12,605,696</u>

The original budget comes for the Tax Budget filed in January of 2002. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget.

***Debt Administration***

The School District has no long term general obligation debt. The School District does have a capital lease for \$1,570,404 (principal and interest) for an addition to Northwestern Elementary. For further information on the School District's obligation refer to note 14 of the financial statements.

**Northwestern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
**Unaudited**

**For the Future**

At this time, the Northwestern Local School District is financially stable. The district is proud of its community support of the public schools. As the preceding information shows, the School District will, within two calendar years, formulate plans to renew the emergency levies. Additional millage will be needed in the future. The amount needed will depend upon future state funding. In November, 2003 a bond issue to replace the Middle School and an addition to the High School failed. At this point the Board of Education has not determined when the bond issue will be placed on the ballot again.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

In conclusion, the Northwestern Local School District has committed itself to financial excellence for many years. The last time the School District requested addition operating millage was over eleven years ago. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Bollheimer, Office of the Treasurer, Northwestern Local Schools, 5610 Troy Road, Springfield, OH 45502.

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**Northwestern Local School District**  
**Clark County, Ohio**  
**Statement of Net Assets**  
**June 30, 2003**

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$3,577,061
Receivables:	
Property and Other Taxes	5,470,385
Accounts	3,862
Accrued Interest	5,364
Intergovernmental	18,955
Materials and Supplies Inventory	41,812
Prepaid Items	14,393
Restricted Cash and Cash Equivalents	39,318
Capital Assets (net of accumulated depreciation):	7,405,262
Total Assets	16,576,412
 <b><u>Liabilities</u></b>	
Payables:	
Accounts	58,895
Intergovernmental	255,733
Salaries and Employee Benefits	1,093,099
Deferred Revenue	4,560,400
Noncurrent Liabilities:	
Due within one year	245,055
Due in more than one year	1,415,931
Total Liabilities	7,629,113
 <b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	7,405,262
Restricted for:	
Perpetual Care	3,940
Grants	45,302
State Mandates	39,318
Capital Improvements	713,238
Unrestricted	740,239
Total Net Assets	\$8,947,299

See accompanying notes to the basic financial statements

**Northwestern Local School District  
Clark County, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$6,087,361	\$186,976	\$30,628	(\$5,869,757)
Special	1,517,703	0	352,939	(1,164,764)
Other	257,606	1,720	0	(255,886)
Support Services:				
Pupils	471,046	0	39,880	(431,166)
Instructional Staff	747,886	0	5,273	(742,613)
Board of Education	99,380	0	0	(99,380)
Administration	997,439	0	0	(997,439)
Fiscal	336,452	0	0	(336,452)
Operation and Maintenance of Plant	1,098,376	0	2,644	(1,095,732)
Pupil Transportation	868,371	0	0	(868,371)
Central	15,737	0	0	(15,737)
Food Service	467,630	379,920	83,059	(4,651)
Latchkey	26,383	27,021	0	638
Extracurricular Activities	372,046	85,092	0	(286,954)
Interest and Fiscal Charges	60,407	0	0	(60,407)
<b>Total Primary Government</b>	<b>\$13,423,823</b>	<b>\$680,729</b>	<b>\$514,423</b>	<b>(12,228,671)</b>

General Revenues:	
Property Taxes	5,842,151
Payment in Lieu of Taxes	42,519
Grants and Contributions not restricted to specific programs	7,021,890
Unrestricted investment earnings	79,051
Miscellaneous	118,497
Total General Revenues	<u>13,104,108</u>
Loss on Disposal of Assets	<u>(6,857)</u>
Changes in Net Assets	868,580
Net Assets-Beginning (Restated)	<u>8,078,719</u>
Net Assets-Ending	<u>\$8,947,299</u>

See accompanying notes to the basic financial statements

Northwestern Local School District  
Clark County, Ohio  
Balance Sheet - Governmental Funds  
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets and Other Debits</b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,655,234	\$921,827	\$3,577,061
Receivables:			
Property and Other Taxes	5,321,625	148,760	5,470,385
Accounts	3,021	841	3,862
Accrued Interest	5,364	0	5,364
Intergovernmental	0	18,955	18,955
Prepaid Items	14,393	0	14,393
Materials and Supplies Inventory	37,578	4,234	41,812
Restricted Assets:			
Cash and Cash Equivalents	39,318	0	39,318
<b>Total Assets</b>	<b>\$8,076,533</b>	<b>\$1,094,617</b>	<b>\$9,171,150</b>

<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Payables:			
Accounts	\$41,834	\$17,061	\$58,895
Due to Local Governments	231,651	24,062	255,733
Salaries and Employee Benefits	1,045,569	47,530	1,093,099
Matured Leave Payable	35,316	1,453	36,769
Deferred Revenue	4,438,469	140,536	4,579,005
<b>Total Liabilities</b>	<b>5,792,839</b>	<b>230,662</b>	<b>6,023,501</b>

<b>Fund Balances:</b>			
Designated for:			
Budget Stabilization	162,113	0	162,113
Reserved for:			
Encumbrances	89,402	98,074	187,476
Inventory	37,578	0	37,578
Contributions	0	3,940	3,940
Property Taxes	619,604	18,834	638,438
Budget Stabilization	39,318	0	39,318
Unreserved, reported in:			
General	1,335,679	0	1,335,679
Special Revenue	0	123,140	123,140
Capital Projects	0	619,409	619,409
Permanent Fund	0	558	558
<b>Total Fund Balances</b>	<b>2,283,694</b>	<b>863,955</b>	<b>3,147,649</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,076,533</b>	<b>\$1,094,617</b>	<b>\$9,171,150</b>

See accompanying notes to the basic financial statements

**Reconciliation of Total Governmental Fund Balances to  
Net Asset of Governmental Activities**

**Total Governmental Fund Balances** \$3,147,649

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds. 7,405,262

Some of the School District's revenues will be collected after fiscal  
year-end, but are not available soon enough to pay for the current  
period's expenditures and therefore are deferred in the funds. 18,605

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.. (1,624,217)

**Net Assets of Governmental Activities** \$8,947,299

Northwestern Local School District  
Clark County, Ohio  
**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**  
For the Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property and Other Taxes	\$5,686,645	\$155,506	\$5,842,151
Payment in Lieu of Taxes	0	22,519	22,519
Intergovernmental	7,003,958	508,690	7,512,648
Charges for Services	0	380,709	380,709
Tuition and Fees	96,016	37,668	133,704
Interest	78,775	260	79,035
Rent	4,430	0	4,430
Gifts and Donations	20,000	0	20,000
Extracurricular Activities	0	163,024	163,024
Miscellaneous	52,665	69,770	122,435
<b>Total Revenues</b>	<b>12,942,489</b>	<b>1,338,166</b>	<b>14,280,655</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,700,928	305,689	6,006,617
Special	1,257,947	295,444	1,553,391
Vocational	252	0	252
Adult Education	0	1,412	1,412
Other	255,850	0	255,850
Support Services:			
Pupils	459,899	21,020	480,919
Instructional Staff	719,240	34,571	753,811
Board of Education	99,252	0	99,252
Administration	1,004,803	30	1,004,833
Fiscal	334,112	2,693	336,805
Operation and Maintenance of Plant	1,137,704	20,276	1,157,980
Pupil Transportation	849,918	413	850,331
Central	15,076	0	15,076
Operation of Non-Instructional Services	0	489,340	489,340
Extracurricular Activities	269,458	118,802	388,260
Capital Outlay	6,000	403,058	409,058
Debt Service:			
Principal Retirement	85,000	0	85,000
Interest and Fiscal Charges	60,407	0	60,407
<b>Total Expenditures</b>	<b>12,255,846</b>	<b>1,692,748</b>	<b>13,948,594</b>
Excess (deficiency) of Revenues Over (Under) Expenditures	686,643	(354,582)	332,061
<b>Other Financing Sources (Uses):</b>			
Transfers - In	0	240,000	240,000
Transfers - Out	(240,000)	0	(240,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(240,000)</b>	<b>240,000</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>446,643</b>	<b>(114,582)</b>	<b>332,061</b>
Fund Balances - Beginning	1,850,422	978,537	2,828,959
Decrease in Inventory	(13,371)	0	(13,371)
<b>Fund Balances - ending</b>	<b>\$2,283,694</b>	<b>\$863,955</b>	<b>\$3,147,649</b>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

\$332,061

Net Change in Governmental Fund Balances

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

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

203,219

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

5,234

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:

85,000

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

243,066

**Change in net assets of governmental activities**

**\$868,580**

See accompanying notes to the basic financial statements

**Northwestern Local School District**  
**Clark County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual -**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2003**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b><u>Revenues:</u></b>				
Property and Other Local Taxes	\$5,323,534	\$5,247,451	\$5,247,451	\$0
Intergovernmental	7,105,507	7,003,958	7,003,958	0
Tuition and Fees	117,365	115,688	115,688	0
Interest	79,455	78,319	78,319	0
Rent	4,494	4,430	4,430	0
Gifts and Donations	20,290	20,000	20,000	0
Miscellaneous	45,937	45,281	45,281	0
<b>Total Revenues</b>	<b>12,696,582</b>	<b>12,515,127</b>	<b>12,515,127</b>	<b>0</b>
<b><u>Expenditures:</u></b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,305,076	5,637,915	5,615,243	22,672
Special	1,529,031	1,367,239	1,289,131	78,108
Vocational	447	400	252	148
Other	307,542	275,000	279,760	(4,760)
<b>Support Services:</b>				
Pupils	524,608	469,097	452,590	16,507
Instructional Staff	828,930	741,218	706,508	34,710
Board of Education	136,932	122,443	108,055	14,388
Administration	1,145,183	1,024,007	1,011,267	12,740
Fiscal	378,334	338,301	333,999	4,302
Operation and Maintenance of Plant	1,441,059	1,288,575	1,221,364	67,211
Pupil Transportation	1,008,338	901,641	852,660	48,981
Central	18,453	16,500	15,076	1,424
Extracurricular Activities	290,539	259,796	271,809	(12,013)
Capital Outlay	182,919	163,564	157,907	5,657
<b>Total Expenditures</b>	<b>14,097,391</b>	<b>12,605,696</b>	<b>12,315,621</b>	<b>290,075</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,400,809)</b>	<b>(90,569)</b>	<b>199,506</b>	<b>290,075</b>
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	7,492	7,385	7,385	0
Advances In	18,128	17,870	17,870	0
Advances Out	(11,183)	(10,000)	0	10,000
Transfers Out	(268,400)	(240,000)	(240,000)	0
Other Financing Uses	0	(1,520,657)	0	1,520,657
<b>Total Other Financing Sources (Uses)</b>	<b>(253,963)</b>	<b>(1,745,402)</b>	<b>(214,745)</b>	<b>1,530,657</b>
<b>Net Change in Fund Balance</b>	<b>(1,654,772)</b>	<b>(1,835,971)</b>	<b>(15,239)</b>	<b>1,820,732</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,222,224</b>	<b>2,222,224</b>	<b>2,222,224</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>376,354</b>	<b>376,354</b>	<b>376,354</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$943,806</b>	<b>\$762,607</b>	<b>\$2,583,339</b>	<b>\$1,820,732</b>

See accompanying notes to the basic financial statements

**Northwestern Local School District**  
**Clark County, Ohio**  
**Statement of Fiduciary Assets and Liabilities -**  
**Fiduciary Funds**  
**June 30, 2003**

	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$27,953</u>
<b><u>Liabilities</u></b>	
Due to Students	<u>27,953</u>
Total Liabilities	<u>\$27,953</u>

See accompanying notes to the basic financial statements

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is located in Clark County and is the 292nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 75 non-certificated employees, 131 certificated full-time teaching personnel and 12 administrative employees who provide services to 1,899 students and other community members.

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

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

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**  
(continued)

Insurance Purchasing Pool:  
Southwestern Ohio Educational Purchasing Council Workers'  
Compensation Group Rating Plan

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (ie., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program Revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.



Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

*Fund Accounting*

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

*Governmental Funds*

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

The District reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fiduciary Fund*

*Fiduciary fund* reporting focuses on net assets and changes in net assets. The District maintains only one fiduciary fund, an agency fund known as the Students Activities Fund. The fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

**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.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clark County Budget Commission for rate determination.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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 statement reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. The Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was at the fund level. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Some revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, six supplemental appropriations were legally enacted; however, none of them were significant. The budget figures that appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. The treasurer has been given the authority to further allocate appropriations to objects within each fund and function. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet.

During fiscal year 2003, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio), Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, and first America Treasury Market Fund.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$78,775, which includes \$14,550 assigned from other funds. The Food Service special revenue fund received \$260 in interest.

**E. Inventory**

Inventories of all funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve on the governmental fund balance sheet which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and vehicles are reported on the government-wide statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not have any infrastructure.

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

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of ten years, with building improvements being depreciated over twenty years and buildings over fifty years. Improvements to fund capital assets are depreciated over the remaining useful lives of the related assets.

**H. Compensated Absences**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The entire liability is reported on the government-wide statement of net assets.

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and other long-term obligations are reported on the government-wide financial statements. 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 obligation are reported as liabilities in the fund financial statements only to the extent they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year-end are considered not to have been paid using current available financial resources.

**J. Interfund Transactions**

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

**K. Deferred Revenues**

Deferred revenues arise 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

On governmental fund financial statements, receivables that will not be collected with the available period have also been reported as deferred revenue.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Exchange/Non-Exchange Transactions**

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**M. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

**N. Fund Balance Reserves**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

**O. Fund Designations**

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

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

**P. Net Assets**

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

**Q. Estimates**

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



Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**R. Reconciliation of government-wide and fund financial statements**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.*

The governmental fund balance sheets includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,624,217) difference are as follows:

Capital Lease Payable	(\$1,225,000)
Long Term Pension Obligation	(118,286)
Compensated Absences	(280,931)
Net Adjustment to reduces <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$1,624,217)</u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of the \$7,405,262 difference are as follows:

Capital Assets	\$15,142,793
Accumulated Depreciation	<u>(7,737,531)</u>
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$7,405,262</u>

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities*

An element of that reconciliation states that “Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.” The details of this \$243,066 are as follows:

Change in Leave Balances	\$280,956
Change in Retirement Obligation	<u>(37,890)</u>
Net Adjustment – current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$243,066</u>

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Another element of that reconciliation states that "Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense." The details of this \$203,219 are as follows:

Current Capital Additions	\$784,475
Loss on Disposal of Assets	(6,857)
Depreciation Expense	<u>(574,399)</u>
Net Adjustment – capital assets to increase <i>fund balance</i> –	
<i>total governmental funds</i> to arrive at <i>net assets</i> –	
<i>governmental activities</i>	<u>\$203,219</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds." The details of this \$5,234 are as follows:

Grant revenue received in September	\$18,605
Inventory consumed	<u>(13,371)</u>
Net Adjustment – capital assets to increase <i>fund balance</i> –	
<i>total governmental funds</i> to arrive at <i>net assets</i> –	
<i>governmental activities</i>	<u>\$5,234</u>

**NOTE 3 – BASIC FINANCIAL STATEMENT PRESENTATION**

For fiscal year 2003, the School District has implemented the following GASB Statements:

- GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*"
- GASB Statement No. 37, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.*"
- GASB Statement No. 38, "*Certain Financial Statement Note Disclosures.*"
- GASB Statement No. 39, "*Determining whether Certain Organizations are Component Units*"

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 3 – BASIC FINANCIAL STATEMENT PRESENTATION** (Continued)

- GASB Interpretation No. 6, *“Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”*

GASB Statements No. 34, No. 37, and No. 38 create and amend new basic financial statements and note disclosure for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-Major funds are presented in total in one column.

GASB Interpretation No. 6 clarifies the financial reporting of certain governmental fund liabilities.

The following is effect the implementation had on the special revenue governmental fund balance, enterprise net assets, and government-wide governmental activities:

	General	Nonmajor	Governmental Activities
Fund Balance at June 30, 2002	\$1,857,123	\$983,154	\$2,840,277
GASB Interpretation No. 6	(6,701)	0	(6,701)
GASB 34 Adjustment:			
Fund Type Reclassification	0	(4,617)	(4,617)
Adjusted Fund Balance at June 30, 2002	\$1,850,422	\$978,537	
 GASB 34 Adjustments:			
Capital Assets			7,202,043
Long-Term Liabilities			(80,396)
Compensated Absences Payable			(561,887)
Capital Lease Payable			(1,310,000)
 Governmental Activities Net Assets, June 30, 2002			\$8,078,719

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

At June 30, 2003, the Title I and Lunchroom special revenue funds have deficit fund balances of \$10,523 and \$25,652 respectively. The General Fund is liable for any deficit in the Title I special revenue fund and provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The result of the deficit in the Lunchroom special revenue fund is the result of revenues not covering operational costs. The School District will continue to monitor these deficits and take appropriate actions if necessary.

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Budget Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balances - General Fund	
	General
GAAP Basis:	\$446,643
Revenue Accruals	(402,107)
Expenditure Accruals	45,014
Encumbrances	(104,789)
Budget Basis	\$(15,239)

**NOTE 6 - 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, but not limited to, time certificates of deposit maturing not more than one year from the date of deposit, or must evidence interim deposits by savings or deposit accounts including passbook accounts.

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

State statute permits interim monies to be deposited or invested in the following securities:

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

**NOTE 6 - 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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 \$503,692 and the bank balance was \$788,812. Of the bank balance, \$200,000 was covered by federal depository insurance and \$588,812 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

Northwestern Local School District  
Notes to the Basic Financial Statements  
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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

The School District's investments at year end included Federal Home Loan Bank (FHBL) Notes, Federal National Mortgage Association (FNMA) Notes, Federal Home Loan Mortgage (FHLM) Corporation, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, First America Treasury Market Fund, and STAR Ohio.

The FHLB notes have interest rates that vary directly with the Constant Maturity Treasury (CMT), an index of Treasury securities published by the Federal Reserve Board. The notes are issued with a coupon floor and a coupon cap which establish a range of possible interest rates for the security regardless of the change in market rates. The securities were selected for purchase because the minimum interest rate, when coupled with the discount at the time of purchase, yields a rate of return that exceeds what was available from more conventional securities and that yield will increase if market interest rates increase.

	Category 2	Category 3	Unclassified	Carrying/Fair Value
Repurchase Agreements	\$0	\$168,298	\$0	\$168,298
FHLB Notes	479,398	0	0	479,398
FNMA Notes	1,077,258	0	0	1,077,258
FHLM Notes	100,719	0	0	100,719
FNMA Discount Notes	150,000	0	0	150,000
STAR Ohio	0	0	1,164,967	1,164,967
	<u>\$1,807,375</u>	<u>\$168,298</u>	<u>\$1,164,967</u>	<u>\$3,140,640</u>

Northwestern Local School District  
Notes to the Basic Financial Statements  
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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

Cash and cash equivalents and investments are pooled for balance sheet classification on the basic financial statements because the pool consists of deposits, short-term investments or long-term investments that can be converted to liquid assets. A reconciliation between the classifications of cash and investments on the fund financial statements and classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
Equity in Pooled Cash and Cash Equivalents – Basic Financial Statements	\$3,644,332	\$0
Investments:		
Repurchase Agreements	(168,298)	168,298
STAR Ohio	(1,164,967)	1,164,967
FHLB Notes	(479,398)	479,398
FNMA Notes	(1,077,258)	1,077,258
FHLM Notes	(100,719)	100,719
FNMA Discount Notes	(150,000)	150,000
GASB Statement No. 3	\$503,692	\$3,140,640

**NOTE 7 - 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 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.



Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 7 - PROPERTY TAXES** (continued)

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003, and are collected in 2003 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

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

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

The School District receives property taxes from Clark and Champaign Counties. The Clark County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003, and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30, were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2003 was \$638,438 and is recognized as revenue. \$619,604 was available to the general fund and \$18,834 was available to the permanent improvement capital projects fund.

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 7 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$163,995,530	85.84%	\$165,601,200	86.98%
Public Utility Personal	6,393,530	3.35	7,014,580	3.68
Tangible Personal Property	20,655,942	10.81	17,775,880	9.34
<b>Total Assessed Value</b>	<b>\$191,045,002</b>	<b>100.00%</b>	<b>\$190,391,660</b>	<b>100.00%</b>
Tax rate per \$1,000 of Assessed valuation	\$35.50		\$33.90	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts (student fees), 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.

Nonmajor Governmental Funds:	Amount
Intergovernmental - Title I	\$1,159
Intergovernmental - Title V	15,767
Intergovernmental - Title II-A	2,029
<b>Total</b>	<b>\$18,955</b>

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 7/01/02	Increases	Decreases	Balance 6/30/03
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$761,821	\$59,226	\$0	\$821,047
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	9,986,757	492,125	0	10,478,882
Furniture and Equipment	2,439,351	146,549	(18,497)	2,567,403
Vehicles	1,220,939	86,575	(32,053)	1,275,461
Total at Historical Cost	<u>14,408,868</u>	<u>784,475</u>	<u>(50,550)</u>	<u>15,142,793</u>
Total Accumulated Depreciation Governmental Activities	<u>(7,206,825)</u>	<u>(574,399)</u>	<u>43,693</u>	<u>(7,737,531)</u>
Capital Assets, Net	<u>\$7,202,043</u>	<u>\$210,076</u>	<u>(\$6,857)</u>	<u>\$7,405,262</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$173,555
Special	836
Vocational	92
Support Services:	
Pupils	423
Instructional Staff	3,460
Board of Education	128
Administration	4,850
Fiscal	275
Operation and Maintenance of Plant	299,078
Pupil Transportation	80,515
Central	661
Operation on Non-Instructional Services	
Food Services	1,751
Extracurricular Activities	8,775
Total Depreciation Expense	<u>\$574,399</u>

Northwestern Local School District  
Notes to the Basic Financial Statements  
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**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for property, general liability, professional and fleet insurance. Coverage provided by Nationwide is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$33,890,580
Boiler and Machinery (\$1,000 deductible)	33,890,580
Automobile Liability (\$1,000 deductible)	1,000,000
Professional Liability (no deductible)	
Single Occurrence	1,000,000
Aggregate	5,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476

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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$167,832, \$96,959 and \$47,883 respectively; 55.61 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$74,496 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the full liability on the government-wide statement of net assets.

**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.

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. For the fiscal year ended June 30, 2003 plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory Authority for member and employer contributions. The District's contributions to STRS for the years ending June 30, 2003, 2002, and 2001, were \$873,403, \$564,094, and \$597,622 respectively; 84.55 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$130,765 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds and on statement of net assets. Contributions to the DC and Combined Plans for fiscal year 2003 were \$492 made by the School District and \$3,522 made by the plan members.

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 12- 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, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$65,092 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$47.9 billion. At June 30, 2002, net health care costs paid by STRS were \$434,287,000 and STRS had 105,000 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, 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 2003 fiscal year equaled \$152,594.

**NOTE 12- 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, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has 50,000 participants currently receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, payment is made for 25 percent for teachers and 25 percent for other employees of accrued, but unused sick leave credit to a maximum of 55 days for certified employees.

**B. Insurance Benefits**

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

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

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



Northwestern Local School District  
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For the Fiscal Year Ended June 30, 2003

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE** (Continued)

Capital assets have been capitalized on the statement of net assets in the amount \$1,625,000 and a corresponding liability was recorded. This amount represents the present value of the minimum lease payments at the time of acquisition.

Principal payments in fiscal year 2003 totaled \$85,000.

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, 2003.

<u>Fiscal Year Ending June 30,</u>	<u>Capital Lease</u>
2004	\$146,608
2005	147,466
2006	148,005
2007	148,264
2008	148,210
2009 – 2013	734,605
2014	97,446
Total	\$1,570,604
Less: Amount Representing Interest	(345,604)
Present Value of Net Minimum Lease Payments	\$1,225,000

The annual debt service requirements to maturity for the capital lease paid are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$90,000	\$56,608	\$146,608
2005	95,000	52,466	147,466
2006	100,000	48,005	148,005
2007	105,000	43,264	148,264
2008	110,000	38,210	148,210
2009 – 2013	630,000	104,605	734,605
2014	95,000	2,446	97,446
Total	\$1,225,000	\$345,604	\$1,570,604

Northwestern Local School District  
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**NOTE 15 - LONG-TERM LIABILITIES**

The changes in the School District's long-term obligations (non-current liabilities) during fiscal year 2003 were as follows:

	Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due in One Year
Governmental Activities					
Capital Leases	\$1,310,000	\$0	\$85,000	\$1,225,000	\$90,000
Intergovernmental Payables	80,396	118,286	80,396	118,286	\$118,286
Compensated Absences	561,887	102,427	346,614	317,700	36,769
<b>Total</b>	<b><u>\$1,952,283</u></b>	<b><u>\$220,713</u></b>	<b><u>\$512,010</u></b>	<b><u>\$1,660,986</u></b>	<b><u>\$245,055</u></b>

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

The School District's overall legal debt margin was \$17,135,249 with an unvoted debt margin of \$190,392 and an energy conservation debt margin of \$1,713,525 at June 30, 2003.

**NOTE 16 - INTERFUND TRANSFERS**

Interfund balances at June 30, 2003, consist of the following individual receivables and payables and operating transfers in the governmental fund balance sheet (such amounts are removed in the statement of net assets):

	Transfers In	Transfers Out
General Fund	\$240,000	\$0
Non-Major Funds	0	240,000
<b>Total All Funds</b>	<b><u>\$240,000</u></b>	<b><u>\$240,000</u></b>

The transfer from the general fund to the nonmajor permanent improvement fund was part of the District's capital improvement plan regarding various improvements through the District.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE  
PURCHASING POOL**

**A. Jointly Governed Organizations**

*Miami Valley Educational Computer Association* - The School District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of four Superintendents and three Treasurers of member school districts, with three of the four Superintendents and all three Treasurers elected by a majority vote of all member school districts except the Greene County Career Center.

The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$37,223 for services provided during the year.

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

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

One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid its medical insurance through the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL** (continued)

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. The qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. One at-large non-public representative is elected by the non-public school SOITA members as the state-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within state-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2003, the School District paid \$8,897 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

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

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL** (continued)

**B. Insurance Purchasing Pool**

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

**NOTE 18 - CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**NOTE 19 - 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 to the extent of Workers' Compensation refunds.

Northwestern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2003	\$(202,367)	\$0	\$39,318
Current Year Set-aside Requirement	248,093	248,093	0
Current Year Offsets	0	(399,581)	0
Qualifying Disbursements	(250,121)	(494,637)	0
Totals	<u>\$(204,395)</u>	<u>\$(646,125)</u>	<u>\$39,318</u>
Reserve Balance Carried Forward to FY 2003	\$(204,395)	\$(159,581)	\$0
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$39,318</u>

Although the School District had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero. The capital acquisition negative amount may only be carried forward to the extent of the proceeds from the Permanent Improvement property tax levy.

**NOTE 20 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Cash in lieu of Commodities	N/A	10.550	\$10,699	\$10,699
National School Lunch Program	LLP4-2002	10.555	8,630	8,630
	LLP4-2003		58,497	58,497
Total National School Lunch Program			<u>67,127</u>	<u>67,127</u>
Special Milk Program	02PU-2002	10.556	287	287
	02PU-2003		1,627	1,627
Total Milk Program			<u>1,914</u>	<u>1,914</u>
Total United States Department of Agriculture - Nutrition Cluster			<u>79,740</u>	<u>79,740</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6BSF-2002		17,870	
Total IDEA Part B	6BSF-2003	84.027	<u>168,958</u>	<u>168,958</u>
			186,828	168,958
<i>Passed through Clark County Educational Service Center:</i>				
Special Education - Preschool Grant	PGS1-2003	84.173	8,953	8,953
Total Special Education Cluster			<u>195,781</u>	<u>177,911</u>
<i>Passed Through Ohio Department of Education</i>				
Class Size Reduction	CRS1-2001	84.340	(5,054)	
	CRS1-2002			4,230
Total Class Size Reduction			<u>(5,054)</u>	<u>4,230</u>
Improving Teacher Quality State Grant	TRS1-2003	84.367	61,125	50,889
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2002	84.010		9,847
	C1S1-2003		129,521	123,343
Total Title I			<u>129,521</u>	<u>133,190</u>
Innovative Educational Program Strategies	C2S1-2001	84.298		1,982
	C2S1-2002		(2,920)	
	C2S1-2003		4,812	3,701
Total Innovative Educational Program			<u>1,892</u>	<u>5,683</u>
Drug-Free Schools Grant	DRS1-2003	84.186	7,370	7,370
Eisenhower Professional Development	MSS1-2001	84.281	673	3,948
	MSS1-2002		(677)	4,576
Total Eisenhower Professional Development			<u>(4)</u>	<u>8,524</u>
Education Technology State Grants	TJS1-2003	84.318	3,578	3,120
Advanced Placement Program	AVS1-2003	84.330	100	100
Total United States Department of Education			<u>394,309</u>	<u>391,017</u>
<b>Totals Federal Financial Assistance</b>			<u>\$474,049</u>	<u>\$470,757</u>

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

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District complied with these matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Northwestern Local School District, Clark County, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 9, 2004, in which we noted the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated February 9, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the 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 and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 9, 2004



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Northwestern Local School District, Clark County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended June 30, 2003.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

February 9, 2004

**NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SCHEDULE OF FINDING  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #'s 84.027 & 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

NORTHWESTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
*OMB CIRCULAR A -133 §.315 (b)*  
JUNE 30, 2003

Finding <u>Number</u>	Finding <u>Summary</u>	Fully <u>Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2002-10312-001	Ohio Rev. Code § 149.351 – Destruction of Public Records	Yes	Corrected



**Auditor of State  
Betty Montgomery**

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**NORTHWESTERN LOCAL SCHOOL DISTRICT**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 16, 2004**