

Northwest Local School District

Scioto County

Single Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwest Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 2, 2009

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NORTHWEST LOCAL SCHOOL DISTRICT
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Local School District (the District), Scioto County, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

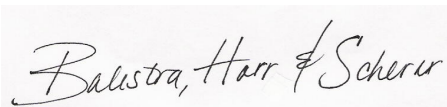
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 19, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

Balestra, Harr & Scherer, CPAs, Inc.
February 27, 2009

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northwest Local School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

The School District's assets exceeded its liabilities at June 30, 2008 by \$26,821,521.

The School District's net assets of governmental activities decreased \$134,521.

- General revenues accounted for \$12,343,955 or 70 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$5,320,654 or 30 percent of total revenues of \$17,664,609.

The School District had \$17,799,130 in expenses related to governmental activities; \$5,320,654 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

In the statement of net assets and the statement of activities, the School District has only one kind of activity.

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

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's Student Managed Activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's Scholarship Funds.

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1
Net Assets

	2008	2007*
Assets:		
Current and Other Assets	\$ 7,931,983	\$ 12,402,164
Capital Assets, Net	28,350,779	25,820,699
Total Assets	36,282,762	38,222,863
Liabilities:		
Current and Other Liabilities	4,378,568	5,990,861
Long-Term Liabilities	5,082,673	5,275,960
Total Liabilities	9,461,241	11,266,821
Net Assets:		
Invested in Capital Assets, Net of Related Debt	25,179,787	22,239,707
Restricted	1,798,858	4,293,679
Unrestricted (Deficit)	(157,124)	422,656
Total Net Assets	\$ 26,821,521	\$ 26,956,042

*As restated. See Note 19.

Total net assets of the District as a whole decreased \$134,521. Current and other assets decreased \$4,470,181 due mainly to a decrease in cash balances as a result of payments made on contracts related to the Ohio School Facilities Commission (OSFC) project. This decrease was partially offset by an increase in taxes receivable, which is due mainly to higher valuations of property on which taxes are assessed. Capital assets increased \$2,530,080 which was due to additions relating to the OSFC project previously mentioned and offset partially by depreciation expense. Current and other liabilities decreased by \$1,612,293 due mainly to a decrease in contracts payable related to the OSFC project. This decrease was partially offset by increases in accrued wages and benefits, resulting from consistent employment and increased wage rates, and deferred revenue, related to increased taxes receivable. Long-term liabilities decreased \$193,287 due mainly to principal payments and partially offset by increases in compensated absence balances and debt balances due to accretion.

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

Table 2
Change in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 586,494	\$ 526,440
Operating Grants and Contributions	4,734,160	4,302,560
Total Program Revenues	<u>5,320,654</u>	<u>4,829,000</u>
General Revenues:		
Taxes Levied for:		
General Purposes	1,703,771	1,518,509
Debt Service	346,634	312,438
Capital Maintenance	34,361	30,863
Grants and Entitlements, Not Restricted to Specific Programs	9,907,362	9,626,643
Grants and Entitlements, Restricted for Classroom Facilities	126,215	2,697,389
Gifts and Donations, Not Restricted to Specific Programs	2,147	1,000
Investment Earnings	217,021	339,895
Miscellaneous	6,444	369
Gain on Sale of Capital Assets	-	8,948
Total General Revenues	<u>12,343,955</u>	<u>14,536,054</u>
Total Revenues	17,664,609	19,365,054
Program Expenses:		
Instruction:		
Regular	7,624,821	7,264,714
Special	1,338,859	1,227,176
Vocational	67,347	65,660
Adult/Continuing	13,562	13,724
Other	565,920	501,690
Support Services:		
Pupils	688,436	667,535
Instructional Staff	1,178,383	1,123,917
Board of Education	13,462	71,295
Administration	1,266,514	992,322
Fiscal	303,192	304,177
Operation and Maintenance of Plant	1,893,416	1,782,906
Pupil Transportation	1,551,761	1,327,227
Central	31,135	31,350
Operation of Non-Instructional Services	731,590	654,388
Extracurricular Activities	335,866	347,586
Interest and Fiscal Charges	194,866	211,623
Total Expenses	<u>17,799,130</u>	<u>16,587,290</u>
Increase (Decrease) in Net Assets	(134,521)	2,777,764
Net Assets at Beginning of Year*	26,956,042	24,178,278
Net Assets at End of Year	<u>\$ 26,821,521</u>	<u>\$ 26,956,042</u>

* As restated. See Note 19.

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Operating grants and contributions increased \$431,600 due mainly to increased funding for special education and Title I grants. Tax revenues increased \$222,956 due mainly to increased property valuations. Unrestricted grants and entitlements increased \$280,719 due to increased Foundation funding receipts. Classroom facilities grants and entitlements decreased \$2,571,174 due to the OSFC project coming to a close.

Regular instruction increased \$360,107 due mainly to increased costs for salaries and benefits of teachers. Administration support services increased \$274,192 due mainly to increased wages and benefit costs. Pupil transportation support services increased \$224,534 due mainly to increased fuel and maintenance costs.

Governmental Activities

Grants and entitlements, not restricted to specific programs comprised 56 percent of revenue for governmental activities, while operating grants and contributions comprised 27 percent of revenue for governmental activities, and property taxes comprised 12 percent of revenue for governmental activities of the School District for fiscal year 2008.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 43 percent of governmental program expenses while special instruction comprised 8 percent of governmental expenses.

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

Table 3
Total and Net Cost of Program Services

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$9,610,509	\$9,072,964	\$7,280,595	\$6,996,804
Support Services	6,926,299	6,300,729	5,087,893	4,612,927
Operation of Non-Instructional Services	731,590	654,388	(60,146)	(99,913)
Extracurricular Activities	335,866	347,586	9,129	70,824
Interest and Fiscal Charges	194,866	211,623	161,005	177,648
Total Expenses	\$17,799,130	\$16,587,290	\$12,478,476	\$11,758,290

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$17,616,517 and expenditures and other financing uses of \$20,614,427. The net change in fund balance for the year was most significant in the Classroom Facilities Fund.

The fund balance of the Classroom Facilities Fund decreased by \$3,046,663. This decrease was primarily due to spending of grant monies that were received in the prior fiscal year for the classroom facilities project.

The fund balance of the General Fund increased by \$28,591. The fund balance of the Bond Retirement Fund increased by \$106,161.

General Fund Budgeting Highlights

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

Northwest Local School District
Scioto County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

During 2008, there were several revisions to the General Fund budget. In part, these revisions increased appropriations by \$173,471 and decreased the estimated receipts by \$49,322. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General fund's ending unobligated cash balance was \$3,407,812.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the School District had \$28,350,779 invested in its capital assets. Table 4 shows the fiscal year 2008 balances compared to 2007.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	2008	2007
Land	\$ 247,189	\$ 208,730
Construction in Progress	-	11,216,280
Land Improvements	241,414	284,412
Buildings and Improvements	25,879,888	12,191,605
Furniture and Equipment	1,197,474	1,062,794
Vehicles	652,058	720,149
Textbooks	132,756	136,729
	\$ 28,350,779	\$ 25,820,699

Changes in capital assets from the prior year resulted from the addition of land, furniture and equipment, vehicles, and depreciation expense. The construction in progress amount was all moved to buildings and improvements as construction was completed during the fiscal year. See Note 7 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2008, the School District had School Facilities General Obligations Refunding Bonds outstanding of \$1,595,996. The bonds were issued for school construction. The School District also had capital lease obligations outstanding of \$2,391,000. See Note 12 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Northwest Local School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,840,579
Cash and Cash Equivalents with Fiscal Agents	242,934
Intergovernmental Receivable	59,427
Taxes Receivable	2,629,928
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	159,115
Non-Depreciable Capital Assets	247,189
Depreciable Capital Assets, net	28,103,590
<i>Total Assets</i>	36,282,762
LIABILITIES:	
Current Liabilities:	
Accounts Payable	26,096
Accrued Wages and Benefits	1,650,273
Intergovernmental Payable	488,590
Accrued Interest Payable	6,337
Retainage Payable	71,886
Deferred Revenue	2,135,386
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	468,520
Due in More Than One Year	4,614,153
<i>Total Liabilities</i>	9,461,241
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	25,179,787
Restricted for Debt Service	945,832
Restricted for Capital Outlay	243,180
Restricted for Other Purposes	522,617
Restricted for Set-Asides	87,229
Unrestricted (Deficit)	(157,124)
<i>Total Net Assets</i>	\$ 26,821,521

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

Northwest Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 7,624,821	\$ 78,563	\$ 1,177,764	\$ (6,368,494)
Special	1,338,859	13,620	1,050,671	(274,568)
Vocational	67,347	977	-	(66,370)
Adult/Continuing	13,562	195	-	(13,367)
Other	565,920	8,124	-	(557,796)
Support Services:				
Pupils	688,436	7,855	117,790	(562,791)
Instructional Staff	1,178,383	6,262	614,736	(557,385)
Board of Education	13,462	193	-	(13,269)
Administration	1,266,514	17,633	31,412	(1,217,469)
Fiscal	303,192	4,037	18,944	(280,211)
Operation and Maintenance of Plant	1,893,416	24,799	158,371	(1,710,246)
Pupil Transportation	1,551,761	21,843	806,758	(723,160)
Central	31,135	318	7,455	(23,362)
Operation of Non-Instructional Services	731,590	209,627	582,109	60,146
Extracurricular Activities	335,866	190,720	136,017	(9,129)
Interest and Fiscal Charges	194,866	1,728	32,133	(161,005)
<i>Total Governmental Activities</i>	<u>\$ 17,799,130</u>	<u>\$ 586,494</u>	<u>\$ 4,734,160</u>	<u>(12,478,476)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				1,703,771
Capital Maintenance				34,361
Debt Service				346,634
Grants and Entitlements not Restricted to Specific Programs				9,907,362
Grants and Entitlements Restricted for Classroom Facilities				126,215
Gifts and Donations not Restricted to Specific Programs				2,147
Investment Earnings				217,021
Miscellaneous				6,444
<i>Total General Revenues</i>				<u>12,343,955</u>
<i>Change in Net Assets</i>				(134,521)
<i>Net Assets Beginning of Year - As Restated</i>				<u>26,956,042</u>
<i>Net Assets End of Year</i>				<u>\$ 26,821,521</u>

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

Northwest Local School District
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 3,383,450	\$ 863,172	\$ 246	\$ 593,711	\$ 4,840,579
Cash and Cash Equivalents with Fiscal Agents	-	-	242,934	-	242,934
Interfund Receivable	22,385	-	-	-	22,385
Intergovernmental Receivable	-	-	-	59,427	59,427
Taxes Receivable	2,157,764	430,421	-	41,743	2,629,928
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	87,229	-	71,886	-	159,115
<i>Total Assets</i>	<u>\$ 5,650,828</u>	<u>\$ 1,293,593</u>	<u>\$ 315,066</u>	<u>\$ 694,881</u>	<u>\$ 7,954,368</u>
LIABILITIES:					
Accounts Payable	\$ 23,126	\$ -	\$ -	\$ 2,970	\$ 26,096
Accrued Wages and Benefits	1,273,056	-	-	377,217	1,650,273
Interfund Payable	-	-	-	22,385	22,385
Intergovernmental Payable	393,589	-	-	95,001	488,590
Retainage Payable	-	-	71,886	-	71,886
Deferred Revenue	2,044,599	407,229	-	39,646	2,491,474
<i>Total Liabilities</i>	<u>3,734,370</u>	<u>407,229</u>	<u>71,886</u>	<u>537,219</u>	<u>4,750,704</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	49,986	-	-	25,627	75,613
Reserved for Property Taxes	113,165	23,192	-	2,097	138,454
Reserved for Budget Stabilization	87,229	-	-	-	87,229
Unreserved, Undesignated, Reported in:					
General Fund	1,666,078	-	-	-	1,666,078
Special Revenue Funds	-	-	-	129,938	129,938
Debt Service Funds	-	863,172	-	-	863,172
Capital Projects Funds	-	-	243,180	-	243,180
<i>Total Fund Balances</i>	<u>1,916,458</u>	<u>886,364</u>	<u>243,180</u>	<u>157,662</u>	<u>3,203,664</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,650,828</u>	<u>\$ 1,293,593</u>	<u>\$ 315,066</u>	<u>\$ 694,881</u>	<u>\$ 7,954,368</u>

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

Northwest Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balances		\$ 3,203,664
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,350,779
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	356,088	
Total		356,088
Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(1,095,677)	
Accrued Interest Payable	(6,337)	
Capital Lease Obligations	(2,391,000)	
General Obligation Bonds	(1,595,996)	
Total		(5,089,010)
Net Assets of Governmental Activities		\$ 26,821,521

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

Northwest Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property Taxes	\$ 1,551,259	\$ 315,473	\$ -	\$ 31,322	\$ 1,898,054
Intergovernmental	11,440,524	50,365	126,215	3,197,361	14,814,465
Interest	156,313	-	54,521	6,187	217,021
Tuition and Fees	9,409	-	-	-	9,409
Rent	61,874	-	-	-	61,874
Extracurricular Activities	-	-	-	187,748	187,748
Gifts and Donations	50	-	-	2,097	2,147
Customer Sales and Services	117,834	-	-	209,627	327,461
Miscellaneous	6,444	-	-	-	6,444
<i>Total Revenues</i>	<u>13,343,707</u>	<u>365,838</u>	<u>180,736</u>	<u>3,634,342</u>	<u>17,524,623</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,428,051	-	-	1,390,905	6,818,956
Special	956,012	-	-	372,714	1,328,726
Vocational	66,979	-	-	-	66,979
Adult/Continuing	13,562	-	-	-	13,562
Other	565,920	-	-	-	565,920
Support Services:					
Pupils	532,487	-	-	141,279	673,766
Instructional Staff	434,307	-	-	742,176	1,176,483
Board of Education	13,462	-	-	-	13,462
Administration	1,199,163	-	-	37,924	1,237,087
Fiscal	277,964	8,933	-	860	287,757
Operation and Maintenance of Plant	1,712,623	-	-	209,920	1,922,543
Pupil Transportation	1,513,595	-	-	-	1,513,595
Central	27,925	-	-	9,000	36,925
Operation of Non-Instructional Services	-	-	-	681,994	681,994
Extracurricular Activities	207,075	-	-	164,215	371,290
Capital Outlay	39,988	-	3,227,399	-	3,267,387
Debt Service:					
Principal	175,000	235,000	-	-	410,000
Interest	120,357	15,744	-	-	136,101
<i>Total Expenditures</i>	<u>13,284,470</u>	<u>259,677</u>	<u>3,227,399</u>	<u>3,750,987</u>	<u>20,522,533</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>59,237</u>	<u>106,161</u>	<u>(3,046,663)</u>	<u>(116,645)</u>	<u>(2,997,910)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	30,624	-	-	61,270	91,894
Transfers Out	(61,270)	-	-	(30,624)	(91,894)
<i>Total Other Financing Sources and Uses</i>	<u>(30,646)</u>	<u>-</u>	<u>-</u>	<u>30,646</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	28,591	106,161	(3,046,663)	(85,999)	(2,997,910)
<i>Fund Balances at Beginning of Year</i>	<u>1,887,867</u>	<u>780,203</u>	<u>3,289,843</u>	<u>243,661</u>	<u>6,201,574</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,916,458</u>	<u>\$ 886,364</u>	<u>\$ 243,180</u>	<u>\$ 157,662</u>	<u>\$ 3,203,664</u>

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

Northwest Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (2,997,910)

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

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

Capital Asset Additions	3,655,235	
Current Year Depreciation	(1,125,155)	
Total	2,530,080	2,530,080

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

Taxes	186,712	
Intergovernmental	(46,726)	
Total	139,986	139,986

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 235,000

Repayments of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 175,000

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

Increase in Compensated Absences	(157,912)	
Decrease in Accrued Interest	36	
Increase in Accreted Debt	(58,801)	
Total	(216,677)	(216,677)

Net Change in Net Assets of Governmental Activities **\$ (134,521)**

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

Northwest Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 13,568,208	\$ 13,518,886	\$ 13,442,076	\$ (76,810)
Total Expenditures and Other Financing Uses	13,125,725	13,299,196	13,298,078	1,118
Net Change in Fund Balance	442,483	219,690	143,998	(75,692)
Fund Balance at Beginning of Year	3,217,656	3,217,656	3,217,656	-
Prior Year Encumbrances Appropriated	45,743	45,743	45,743	-
Fund Balance at End of Year	\$ 3,705,882	\$ 3,483,089	\$ 3,407,397	\$ (75,692)

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

Northwest Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 32,305</u>	<u>\$ 19,369</u>
LIABILITIES:		
Undistributed Monies	-	<u>\$ 19,369</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>32,305</u>	
Total Net Assets	<u>\$ 32,305</u>	

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

Northwest Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 6,525
Interest	<u>1,214</u>
Total Additions	7,739
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>5,112</u>
Change in Net Assets	2,627
Net Assets Beginning of Year	<u>29,678</u>
Net Assets End of Year	<u><u>\$ 32,305</u></u>

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 156 square miles. It is located in Scioto County, and includes all of the Village of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 65 non-certificated employees, 125 certificated full-time teaching personnel who provide services to 1,768 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

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

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

The School District is associated with three organizations, two of which are defined as jointly governed organizations and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, and the Scioto County Schools Council. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classroom Facilities Fund

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

Debt Service Fund

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

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

Fiduciary Funds

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

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's Student Managed Activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's Scholarship Funds.

C. Measurement Focus

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

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

D. Basis of Accounting

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

E. Budgetary Process

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2008.

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

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

F. Cash and Cash Equivalents

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

The School District maintains a separate bank account for contract retainage and this balance is presented on the financial statements as “Cash and Cash Equivalents with Fiscal Agents”.

During fiscal year 2008, the School District’s invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer’s Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2008.

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, Classroom Facilities Major Capital Project Fund, and all other funds, during fiscal year 2008 amounted to \$156,313, \$54,521, and \$6,187, respectively.

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets and Depreciation

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

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

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

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

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

H. Interfund Balances

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

I. Compensated Absences

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

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

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

K. Fund Balance Reserves

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

L. Estimates

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

M. Net Assets

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

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

Of the School District's \$1,798,858 restricted net assets, none is restricted for enabling legislation.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 16 for additional information regarding set-asides. Restricted assets in the Classroom Facilities Fund represent cash held as retainage for contractors.

O. Interfund Transactions

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$ 28,591
Revenue Accruals	90,882
Expenditure Accruals	87,807
Encumbrances	<u>(63,282)</u>
Budget Basis	<u><u>\$ 143,998</u></u>

NOTE 4 - 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 five-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 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

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

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2008, the School District's bank balance of \$5,051,396 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments As of June 30, 2008, the School District had the following investments and maturities:

	Uncategorized	Carrying/Fair Value	Weighted Average Maturity (Years)
STAROhio	\$ 31,807	\$ 31,807	<1 Year
Total Investments	\$ 31,807	\$ 31,807	

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code.

The School District limited its investments to securities in STAR Ohio. Below is the credit rating of the School District's investment:

Standard & Poor's

STAROhio AAAm

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The School District's investment policy allows investments in STAROhio, repurchase agreements, and federal agencies, or instrumentalities securities of obligations. 100% of the District's investments are in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District's securities are held in the name of the School District.

NOTE 5 - 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 year 2008 for real and public utility property taxes represents collections of calendar year 2007 taxes. Property tax payments received during calendar year 2008 for tangible personal property (other than public utility property) is for calendar year 2008 taxes.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - PROPERTY TAXES (continued)

2008 real property taxes are levied after April 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2008 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2006. Collections are made in 2008. Tangible personal property assessments are twelve and one half 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.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 72,908,910	88.23%	\$ 81,611,210	89.35%
Public Utility	6,464,340	7.82%	6,287,830	6.88%
Tangible Personal Property	3,262,087	3.95%	3,439,938	3.77%
Total Assessed Value	\$ 82,635,337	100.00%	\$ 91,338,978	100.00%

Tax rate per \$1,000 of assessed valuation	\$ 24.81	\$ 24.81
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The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2008, was \$113,165 in the General Fund, \$23,192 in the Bond Retirement Major Debt Service Fund and \$2,097 in the Classroom Facilities Maintenance Non-major Special Revenue Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008, consisted of taxes receivable, interfund receivables, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Non-major Special Revenue Funds:	
Title I	\$ 44,207
Title II-A	11,179
Early Childhood Education	4,041
Total Non-major Special Revenue Funds	59,427
Total All Funds	\$ 59,427

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Ending Balance 6/30/2007	Additions	Deletions	Ending Balance 6/30/2008
Capital Assets, Not Being Depreciated				
Land	\$ 208,730	\$ 38,459	\$ -	\$ 247,189
Construction in Progress	11,216,280	3,271,236	(14,487,516)	-
Total Capital Assets, Not Being Depreciated	11,425,010	3,309,695	(14,487,516)	247,189
Capital Assets, Being Depreciated				
Land Improvements	1,215,919	-	-	1,215,919
Buildings and Improvements	20,479,332	14,491,416	-	34,970,748
Furniture and Equipment	5,893,242	341,640	-	6,234,882
Vehicles	2,057,732	-	-	2,057,732
Textbooks	1,062,043	-	-	1,062,043
Total Capital Assets, Being Depreciated	30,708,268	14,833,056	-	45,541,324
Less Accumulated Depreciation				
Land Improvements	(931,507)	(42,998)	-	(974,505)
Buildings and Improvements	(8,287,727)	(803,133)	-	(9,090,860)
Furniture and Equipment	(4,830,448)	(206,960)	-	(5,037,408)
Vehicles	(1,337,583)	(68,091)	-	(1,405,674)
Textbooks	(925,314)	(3,973)	-	(929,287)
Total Accumulated Depreciation	(16,312,579)	(1,125,155)	-	(17,437,734)
Total Capital Assets, Being Depreciated, Net	14,395,689	13,707,901	-	28,103,590
Governmental Activities Capital Assets, Net	\$ 25,820,699	\$ 17,017,596	\$(14,487,516)	\$ 28,350,779

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$928,572
Special	984
Vocational	140
Support Services:	
Pupils	544
Instructional Staff	15,161
Administration	5,189
Fiscal	628
Operation and Maintenance of Plant	72,532
Pupil Transportation	31,219
Operation of Non-Instructional Services	28,805
Extra-Curricular Activities	41,381
Total Depreciation Expense	<u>\$1,125,155</u>

NOTE 8 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Selective Insurance Company of South Carolina for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Selective Insurance Company of South Carolina were as follows:

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

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

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 15), offering employee medical and dental insurance to participating school districts within the county. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon a school district's termination from the Council, the Council shall have no obligation to the school district beyond paying claims incurred prior to termination and any applicable extended benefits that were provided under the plan. All claims and expenses shall be paid from the funds of the Council.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

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, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, at www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10 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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$177,243, \$217,857, and \$241,315, respectively; 32% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

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

A 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$783,481, \$762,185, and \$772,938, respectively; 82% has been contributed for the fiscal year 2008 and 100% for the fiscal year 2007 and 2006.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

B. Postemployment Benefits

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the School District, these amounts equaled \$61,080, \$59,409, and \$60,622 for fiscal years 2008, 2007, and 2006, respectively.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006, the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2008, 2007, and 2006, were \$14,533, \$14,017, and \$16,070, respectively, which equaled the required contributions for each fiscal year.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2008, 2007, and 2006 fiscal years equaled \$119,222, \$105,036, and \$70,666, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

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

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. Principal payments in fiscal year 2008 totaled \$175,000 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	
2009	\$ 291,357
2010	291,454
2011	290,635
2012	291,020
2013	290,929
Thereafter	<u>1,601,295</u>
Total Minimum Lease Payments	3,056,690
Less: Amounts Representing Interest	<u>(665,690)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,391,000</u>

NOTE 12 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/2007	Additions	Deductions	Principal Outstanding 6/30/2008	Due Within One Year
1999 School Facilities General Obligation Refunding Bond - 4.5%	\$ 1,772,195	\$ 58,801	\$ 235,000	\$ 1,595,996	\$ 250,000
Capital Leases	2,566,000	-	175,000	2,391,000	181,000
Compensated Absences	<u>937,765</u>	<u>1,095,677</u>	<u>937,765</u>	<u>1,095,677</u>	<u>37,520</u>
Total Long-Term Liabilities	<u>\$ 5,275,960</u>	<u>\$ 1,154,478</u>	<u>\$ 1,347,765</u>	<u>\$ 5,082,673</u>	<u>\$ 468,520</u>

\$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% - 4.30%. \$529,992 were issued as capital appreciation bonds. The bonds were issued with a \$358,114 premium. The serial bonds and capital appreciation bonds are not subject to mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2009 and 2015. The maturity amount of the bonds is \$1,640,000. For fiscal year 2008, \$58,801 was accreted on the capital appreciation bonds for a total outstanding bond value of \$1,595,996 at fiscal year end. \$816,004 was the total accreted value through June 30, 2008.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - LONG-TERM LIABILITIES (continued)

General obligation bonds will be paid from the Bond Retirement Fund. Capital leases will be paid from the General Fund. Compensated absences will be paid from the funds from which the employees' salaries are paid, with the most significant funds being the General Fund, DPIA Fund, and the Title I Fund.

The School District's overall legal debt margin was \$7,440,516 with an unvoted debt margin of \$91,339 at June 30, 2008.

Principal and interest requirements to retire general obligation bonds at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Interest	Total
2009	\$ 250,000	\$ -	\$ 5,375	\$ 255,375
2010	-	100,443	169,557	270,000
2011	-	92,996	172,004	265,000
2012	-	89,392	180,608	270,000
2013	-	85,957	189,043	275,000
2014-2015	-	161,204	398,796	560,000
	<u>\$ 250,000</u>	<u>\$ 529,992</u>	<u>\$ 1,115,383</u>	<u>\$ 1,895,375</u>

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

NOTE 13 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2008, were as follows:

	<u>Transfer From</u>	<u>Transfer To</u>
Major Fund:		
General	\$ 61,270	\$ 30,624
Non-Major Special Revenue Funds:		
Adult Continuing	6,724	-
Miscellaneous Grants	763	-
Telecomm (E-Rate)	23,137	-
District Managed Activity	-	61,270
Total Non-Major Special Revenue Funds:	<u>30,624</u>	<u>61,270</u>
Total	<u>\$ 91,894</u>	<u>\$ 91,894</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. The Adult Continuing Education Fund, Telecomm (E-Rate) Fund, and Miscellaneous Grants Fund have been inactive for several years. The balances in these accounts were transferred to the General Fund.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 - INTERFUND ACTIVITY (continued)

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2009 fiscal year:

Interfund Loans	Receivable	Payable
General fund	\$ 22,385	\$ -
Non-major Special Revenue Fund		
Food Service Fund	-	22,385
Total Non-major Special Revenue Fund	-	22,385
Total Interfund Receivables/Payables	\$ 22,385	\$ 22,385

The amounts due to the General fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue fund.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid \$115,883 for services provided by SCOCA during this fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. For the fiscal year ended June 30, 2008 the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Worker's Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition*</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2007	(\$2,687,745)	(\$3,790,680)	\$87,229
Current year set-aside requirement	267,192	267,192	0
Qualifying disbursements	<u>(1,108,798)</u>	<u>(451,979)</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 2008	<u>(\$3,529,351)</u>	<u>(\$3,975,467)</u>	<u>\$87,229</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$87,229</u>

*The beginning set-aside reserve balance was restated for the capital acquisition reserve to properly show offsets for securities issued for capital improvements.

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

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 – ACCOUNTABILITY

Accountability - Fund Balance Deficits

At June 30, 2008, the Food Service, Ohio Reads, Summer School Grant, PBA Funds, Title I, Drug Free, Title II-A and Goals 2000 Proficiency Special Revenue Funds had fund balance deficits of \$114,213, \$30, \$218, \$209,399, \$29,542, \$327, \$2,760, and \$3,244 respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

A. Change in Accounting Principles

For the fiscal year 2008, the School District implemented GASB Statement No. 50, “*Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*”, GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, and GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues.*” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 48 establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The application of these new standards had no effect on the basic financial statements, nor did their implementation require a restatement of prior year balances.

B. Restatement of Net Assets

In the initial award year of an Ohio School Facilities Commission grant, a confirmation from the Ohio School Facilities Commission’s website was used to record the State share receivable for the School District. However, this confirmation was incorrect and included the local share with the State share, overstating the State share by \$2,983,414. Net assets of governmental activities as of June 30, 2007 were restated to correct this error. The restatement had the following effect on net asset balances:

	Governmental Net Assets
Net Assets, June 30, 2007	\$ 29,939,456
Restatement of Intergovernmental Receivable	2,983,414
Restated Net Assets, July 1, 2007	\$ 26,956,042

Northwest Local School District
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
Food Donation	NA	10.550	\$ -	\$ 64,674	\$ -	\$ 64,674
<i>Nutrition Cluster:</i>						
School Breakfast Program	05-PU	10.553	153,928	-	153,928	-
National School Lunch Program	LL-P4	10.555	410,973	-	410,973	-
Total Nutrition Cluster			564,901	-	564,901	-
Total United States Department of Agriculture			564,901	64,674	564,901	64,674
United States Department of Education						
<i>Passed through Shawnee State University</i>						
Twenty-first Century Community Learning Centers	NA	84.287	94,845	-	94,800	-
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	6B-SF	84.027	418,880	-	418,880	-
Title I Grants to Local Educational Agencies	C1-S1	84.010	590,525	-	627,485	-
Safe & Drug Free Schools and Communities - State Grants	DR-S1	84.186	11,984	-	11,984	-
State Grants for Innovative Programs	C2-S1	84.298	4,399	-	4,399	-
Education Technology State Grants	TJ-S1	84.318	6,449	-	6,449	-
Rural Education	RU-S1	84.358	47,503	-	47,503	-
Improving Teacher Quality State Grants	TR-S1	84.367	152,503	-	136,261	-
Total United States Department of Education			1,327,088	-	1,347,761	-
Total Federal Financial Assistance			\$1,891,989	\$64,674	\$1,912,662	\$64,674

NA - Pass Through Entity Number is Not Available

See accompanying notes to the schedule of federal awards receipts and expenditures.

Northwest Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2008

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 – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northwest Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2008, and have issued our report thereon dated February 27, 2009 in which we noted that the School District implemented GASB Statements No. 50, No. 48, and No. 45. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain non-compliance and other matter reported to the School District in a separate report dated February 27, 2009.

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



Balestra, Harr & Scherer, CPAs, Inc.
February 27, 2009

BALESTRA, HARR & SCHERER, CPAs, INC.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Northwest Local School District
Scioto County
800 Mohawk Drive
McDermott, Ohio 45652

Compliance

We have audited the compliance of the Northwest Local School District, Scioto County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the School 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

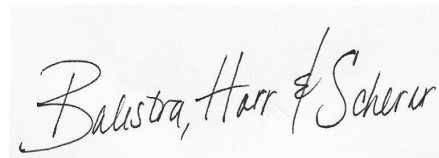
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that The School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, Members of the Board, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.

February 27, 2009

NORTHWEST LOCAL SCHOOL DISTRICT
 SCIOTO COUNTY
 JUNE 30, 2008

SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, CFDA#10.553 and CFDA#10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2008

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

**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.



Mary Taylor, CPA
Auditor of State

NORTHWEST LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 16, 2009