



***NORTHWEST
LOCAL SCHOOL DISTRICT***

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2015

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • 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 J.L. Uhrig and Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 18, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northwest Local School District (the School District), Scioto County as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Governmental Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Northwest Local School District, Scioto County, Ohio as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 and Note 22 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*, and as a result restated their June 30, 2014 net position of the governmental activities. We did not modify our opinion regarding this matter.

Other Matters

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-11 and schedules of net pension liabilities and pension contributions on pages 49-50, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Supplemental and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents 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 also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2016, on our consideration of the School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 29, 2016

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015 by \$55,690.
- The School District's net position of governmental activities increased \$1,360,692.
- General revenues accounted for \$16,116,921 or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$4,510,423 or 22 percent of total revenues of \$20,627,344.
- The School District had \$19,266,652 in expenses related to governmental activities; \$4,510,423 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 position 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 on page 6. 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, liabilities, and deferred inflows/outflows of resources 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 position and changes in net position. 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.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In the statement of net position 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.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 10. 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 fund is the General 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 readily be 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1
Net Position

	2015	2014*
Assets:		
Current and Other Assets	\$5,076,570	\$4,115,263
Capital Assets, Net	23,051,821	22,204,268
Total Assets	28,128,391	26,319,531
Deferred Outflows of Resources	1,387,762	1,159,883
Liabilities:		
Current and Other Liabilities	1,922,565	2,067,605
Long-Term Liabilities	22,276,485	24,923,905
Total Liabilities	24,199,050	26,991,510
Deferred Inflows of Resources	5,372,793	1,904,286
Net Position:		
Net Investment in Capital Assets	20,998,426	20,952,913
Restricted	748,403	756,488
Unrestricted (Deficit)	(21,802,519)	(23,125,783)
Total Net Position	(\$55,690)	(\$1,416,382)

*Restated. See note 22 for additional information.

Total net position of the School District as a whole increased \$1,360,692. Current and other assets increased \$961,307, due primarily to increases in cash balances and intergovernmental receivables. Capital assets increased \$847,553, due to current year additions exceeding current year depreciation. Deferred outflows of resources increased \$227,879, due to an increase in actuarially-determined amounts related to pensions. Current and other liabilities decreased \$145,040, due primarily to decreases in accrued wages and benefits and intergovernmental payables. Long-term liabilities decreased \$2,647,420, due primarily to a reduction in the net pension liability and to principal payments on long-term debt, which was partially offset by an increase in long-term debt balances due to two debt issuances during the fiscal year. Deferred inflows of resources increased \$3,468,507, due primarily to the implementation of GASB Statement No. 68, which is further discussed below.

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is included within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$19,447,043 to (\$1,416,382).

Table 2 shows the changes in net position for the fiscal years ended June 30, 2015 and 2014.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2
Change in Net Position

	2015	2014
Revenues		
Program Revenues:		
Charges for Services and Sales	\$957,108	\$914,007
Operating Grants and Contributions	3,553,315	3,313,191
Total Program Revenues	4,510,423	4,227,198
General Revenues:		
Taxes Levied for:		
General Purposes	1,938,119	1,920,909
Permanent Improvement	49,166	50,008
Capital Maintenance	0	32,983
Grants and Entitlements, Not Restricted to Specific Programs	13,816,095	12,524,071
Unrestricted Grants and Donations	2,000	1,392
Insurance Recoveries	86,822	30,176
Investment Earnings	810	1,154
Miscellaneous	223,909	388,101
Total General Revenues	16,116,921	14,948,794
Total Revenues	20,627,344	19,175,992
Program Expenses:		
Instruction:		
Regular	7,908,210	8,130,615
Special	1,869,232	1,789,392
Vocational	91,608	92,554
Other	1,758,611	1,609,510
Support Services:		
Pupils	688,523	731,068
Instructional Staff	519,972	495,838
Board of Education	160,544	65,731
Administration	1,180,700	1,216,594
Fiscal	299,608	329,432
Operation and Maintenance of Plant	2,053,326	2,350,805
Pupil Transportation	1,529,293	1,654,990
Central	7,600	12,837
Operation of Non-Instructional Services	813,847	869,242
Extracurricular Activities	298,867	272,427
Interest and Fiscal Charges	86,711	98,498
Total Expenses	19,266,652	19,719,533
Change in Net Position	1,360,692	(543,541)
Net Position at Beginning of Year-Restated	(1,416,382)	N/A
Net Position at End of Year	(\$55,690)	(\$1,416,382)

Charges for services and sales and operating grants and contributions remained relatively consistent between years. Grants and entitlements not restricted to specific programs increased \$1,292,024, due primarily to an increase in State Foundation funding. General and permanent improvement taxes remained relatively consistent between years.

Northwest Local School District
Management's Discussion and Analysis
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Instruction expenses and various support services remained relatively consistent between years. Board of education support services increased significantly due to expenses related to debt issuances. Operation and maintenance of plant decreased due to decreased maintenance costs and payables.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,159,883 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$890,028. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$19,266,652
Pension expense under GASB 68	(890,028)
2015 contractually required contribution	1,213,229
Adjusted 2015 program expenses	19,589,853
Total 2014 program expenses under GASB 27	19,719,533
Decrease in program expenses not related to pension	(\$129,680)

Governmental Activities

Grants and entitlements not restricted to specific programs comprised 67 percent of revenue for governmental activities, while operating grants and contributions comprised 17 percent of revenue for governmental activities, and property taxes comprised 9 percent of revenue for governmental activities of the School District for fiscal year 2015.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 41 percent of governmental program expenses while special instruction comprised 10 percent of governmental expenses. Operation and maintenance of plant and pupil transportation expenses comprised 11 percent and 8 percent, respectively.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions 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	
	2015	2014	2015	2014
Instruction	\$11,627,661	\$11,622,071	\$8,649,556	\$8,920,236
Support Services	6,439,566	6,857,295	5,750,675	6,149,223
Operation of Non-Instructional Services	813,847	869,242	74,722	132,909
Extracurricular Activities	298,867	272,427	194,565	191,469
Interest and Fiscal Charges	86,711	98,498	86,711	98,498
Total Expenses	\$19,266,652	\$19,719,533	\$14,756,229	\$15,492,335

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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 \$22,332,922 and expenditures and other financing uses of \$21,495,106. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased in the amount of \$734,578. This was a result of revenues in excess of expenditures, as intergovernmental revenue increased significantly while expenditures increased only moderately.

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. During 2015, there were several revisions to the General Fund budget. In part, these revisions increased appropriations by \$234,963 as a result of increases in transfers to other funds. These revisions also decreased estimated resources by \$367,414 as a result of decreased budgeting for intergovernmental receipts. 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 \$928,501.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the School District had \$23,051,821 invested in its capital assets. Table 4 shows the fiscal year 2015 balances compared to 2014.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	2015	2014*
Land	\$235,967	\$235,967
Land Improvements	525,299	208,517
Buildings and Improvements	20,517,757	20,686,543
Furniture and Equipment	874,202	678,074
Vehicles	792,667	289,238
Textbooks	105,929	105,929
Totals	\$23,051,821	\$22,204,268

*Restated to correct errors from previously issued report.

Changes in capital assets from the prior year resulted from current year additions and depreciation expense. See Note 7 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2015, the School District issued two notes during 2015 for bus purchases and an energy conservation project. These notes had balances of \$382,500 and \$993,000, respectively, at the end of the year. The School District also had capital lease obligations outstanding of \$935,000. See Notes 11 and 12 to the basic financial statements for more detailed information regarding debt.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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 Julie Smith, Treasurer, Northwest Local School District, 800 Mohawk Drive, McDermott, Ohio 45652.

Northwest Local School District
Statement of Net Position
As of June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,975,986
Intergovernmental Receivable	333,561
Taxes Receivable	2,767,023
Nondepreciable Capital Assets	235,967
Depreciable Capital Assets, net	22,815,854
<i>Total Assets</i>	28,128,391
Deferred Outflows of Resources:	
Pension	1,387,762
Liabilities:	
Accounts Payable	6,702
Accrued Wages and Benefits	1,630,945
Intergovernmental Payable	278,427
Accrued Interest Payable	6,491
Long-Term Liabilities:	
Due Within One Year	514,192
Due in More Than One Year	21,762,293
<i>Total Liabilities</i>	24,199,050
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	1,980,914
Pension	3,391,879
<i>Total Deferred Inflows of Resources:</i>	5,372,793
Net Position:	
Net Investment in Capital Assets	20,998,426
Restricted for Debt Service	6
Restricted for Capital Outlay	407,855
Restricted for Other Purposes	340,542
Unrestricted (Deficit)	(21,802,519)
<i>Total Net Position</i>	(\$55,690)

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, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$7,908,210	\$292,573	\$945,977	(\$6,669,660)
Special	1,869,232	78,342	1,557,398	(233,492)
Vocational	91,608	5,212	23,680	(62,716)
Other	1,758,611	74,923	0	(1,683,688)
Support Services:				
Pupils	688,523	87,552	12,315	(588,656)
Instructional Staff	519,972	7,847	376,959	(135,166)
Board of Education	160,544	6,840	0	(153,704)
Administration	1,180,700	50,225	0	(1,130,475)
Fiscal	299,608	12,752	0	(286,856)
Operation and Maintenance of Plant	2,053,326	63,135	2,120	(1,988,071)
Pupil Transportation	1,529,293	63,652	0	(1,465,641)
Central	7,600	94	5,400	(2,106)
Operation of Non-Instructional Services	813,847	121,510	617,615	(74,722)
Extracurricular Activities	298,867	92,451	11,851	(194,565)
Interest and Fiscal Charges	86,711	0	0	(86,711)
<i>Total Governmental Activities</i>	<u>\$19,266,652</u>	<u>\$957,108</u>	<u>\$3,553,315</u>	(14,756,229)
General Revenues:				
Property Taxes Levied for:				
General Purposes				1,938,119
Permanent Improvements				49,166
Grants and Entitlements not				
Restricted for Specific Programs				13,816,095
Unrestricted Gifts and Donations				2,000
Insurance Recoveries				86,822
Investment Earnings				810
Miscellaneous				223,909
<i>Total General Revenues</i>				<u>16,116,921</u>
<i>Change in Net Position</i>				1,360,692
<i>Net Position Beginning of Year-Restated</i>				<u>(1,416,382)</u>
<i>Net Position End of Year</i>				<u><u>(\$55,690)</u></u>

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

Northwest Local School District
Balance Sheet
Governmental Funds
As of June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,348,411	\$627,575	\$1,975,986
Interfund Receivable	36,584	0	36,584
Intergovernmental Receivable	0	333,561	333,561
Taxes Receivable	2,694,589	72,434	2,767,023
<i>Total Assets</i>	<u>\$4,079,584</u>	<u>\$1,033,570</u>	<u>\$5,113,154</u>
Liabilities:			
Accounts Payable	\$6,526	\$176	\$6,702
Accrued Wages and Benefits	1,416,149	214,796	1,630,945
Interfund Payable	0	36,584	36,584
Intergovernmental Payable	250,080	28,347	278,427
<i>Total Liabilities</i>	1,672,755	279,903	1,952,658
Deferred Inflows of Resources:			
Property Taxes not Levied to Finance Current Year Operations	1,927,965	52,949	1,980,914
Unavailable Revenue	685,884	203,640	889,524
<i>Deferred Inflows of Resources</i>	2,613,849	256,589	2,870,438
Fund Balances:			
Restricted	0	631,668	631,668
Committed	335,633	0	335,633
Assigned	147,400	0	147,400
Unassigned (Deficit)	(690,053)	(134,590)	(824,643)
<i>Total Fund Balances</i>	<u>(207,020)</u>	<u>497,078</u>	<u>290,058</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,079,584</u>	<u>\$1,033,570</u>	<u>\$5,113,154</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 Position of Governmental Activities
 As of June 30, 2015*

Total Governmental Fund Balances	\$290,058
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,051,821
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Intergovernmental	186,241	
Taxes	703,283	
Total	889,524	889,524

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	1,387,762	
Deferred Inflows-Pension	(3,391,879)	
Net Pension Liability	(18,536,107)	
Total	(20,540,224)	(20,540,224)

Long-term liabilities, including bonds and related liabilities, capital leases, 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.

Accrued Interest Payable	(6,491)	
Compensated Absences	(1,429,878)	
Capital Lease Obligations	(935,000)	
Notes Payable	(1,375,500)	
Total	(3,746,869)	(3,746,869)

Net Position of Governmental Activities	<u><u>(\$55,690)</u></u>
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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, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$1,915,016	\$60,116	\$1,975,132
Intergovernmental	15,277,703	1,880,895	17,158,598
Interest	810	0	810
Tuition and Fees	669,574	0	669,574
Rent	3,627	0	3,627
Extracurricular Activities	61,399	100,584	161,983
Gifts and Donations	12,480	14,091	26,571
Customer Sales and Services	0	121,924	121,924
Miscellaneous	221,936	1,973	223,909
<i>Total Revenues</i>	<u>18,162,545</u>	<u>2,179,583</u>	<u>20,342,128</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,721,540	881,505	7,603,045
Special	1,871,277	29,160	1,900,437
Vocational	90,044	0	90,044
Other	1,758,611	0	1,758,611
Support Services:			
Pupils	696,289	1,545	697,834
Instructional Staff	185,609	335,042	520,651
Board of Education	160,785	0	160,785
Administration	1,194,764	0	1,194,764
Fiscal	326,546	153	326,699
Operation and Maintenance of Plant	1,509,007	27,583	1,536,590
Pupil Transportation	1,516,200	0	1,516,200
Central	2,200	5,400	7,600
Operation of Non-Instructional Services	9,781	806,082	815,863
Extracurricular Activities	184,355	104,242	288,597
Capital Outlay	574,800	1,387,554	1,962,354
Debt Service:			
Principal	238,000	347,500	585,500
Interest	53,244	15,316	68,560
<i>Total Expenditures</i>	<u>17,093,052</u>	<u>3,941,082</u>	<u>21,034,134</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	1,069,493	(1,761,499)	(692,006)
Other Financing Sources (Uses):			
Transfers In	0	460,972	460,972
Other Notes Issued	0	1,443,000	1,443,000
Insurance Recoveries	86,822	0	86,822
Transfers Out	(421,737)	(39,235)	(460,972)
<i>Total Other Financing Sources (Uses)</i>	<u>(334,915)</u>	<u>1,864,737</u>	<u>1,529,822</u>
<i>Net Change in Fund Balances</i>	734,578	103,238	837,816
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(941,598)</u>	<u>393,840</u>	<u>(547,758)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>(\$207,020)</u></u>	<u><u>\$497,078</u></u>	<u><u>\$290,058</u></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, 2015*

Net Change in Fund Balances - Total Governmental Funds \$837,816

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 of depreciation and capital asset additions in the current period.

Capital Asset Additions	1,962,354	
Current Year Depreciation	(1,114,801)	
Total	847,553	847,553

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

Intergovernmental	186,241	
Taxes	12,153	
Total	198,394	198,394

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,213,229

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (890,028)

Notes issued are reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (1,443,000)

Repayments of bond and loan principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 347,500

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 238,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position. (6,491)

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.

Decrease in Compensated Absences	29,379	
Increase for Accretion	(11,660)	
Total	17,719	17,719

Net Change in Net Position of Governmental Activities \$1,360,692

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

Northwest Local School District
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)*
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Financing Sources	\$18,798,498	\$18,431,084	\$18,431,084	\$0
Total Expenditures and Other Financing Uses	17,528,507	17,763,470	17,763,470	0
<i>Net Change in Fund Balance</i>	1,269,991	667,614	667,614	0
<i>Fund Balance at Beginning of Year</i>	162,464	162,464	162,464	0
<i>Prior Year Encumbrances Appropriated</i>	98,423	98,423	98,423	0
<i>Fund Balance at End of Year</i>	<u>\$1,530,878</u>	<u>\$928,501</u>	<u>\$928,501</u>	<u>\$0</u>

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

Northwest Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2015

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$38,508	\$28,410
<i>Total Assets</i>	\$38,508	\$28,410
Liabilities:		
Undistributed Monies		\$28,410
<i>Total Liabilities</i>		\$28,410
Net Position:		
Held in Trust for Scholarships	\$38,508	
<i>Total Net Position</i>	\$38,508	

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

Northwest Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	\$2,695
Interest	19
	2,714
Deductions:	
Payments in Accordance with Trust Agreements	12,500
	12,500
<i>Change in Net Position</i>	(9,786)
<i>Net Position Beginning of Year</i>	48,294
<i>Net Position End of Year</i>	\$38,508

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, 2015

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 187 square miles. It is located in Scioto County, and includes all of the Villages of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 76 non-certificated and administrative employees, and 103 certificated full-time teaching personnel who provide services to 1,636 students and other community members. The School District currently operates 3 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 four organizations, three of which are defined as jointly governed organizations and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association, the Coalition of Rural and Appalachian Schools, the Southern Ohio Academy, and the Optimal Health Initiatives. 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 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.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position presents the financial condition of the 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.

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, liabilities, and deferred inflows/outflows of resources is reported as fund balance. The following is the School District's major governmental fund:

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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 position and changes in net position. 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.

Measurement Focus

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

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, current liabilities, and certain deferred inflows/outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

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 Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The pension item is further explained in note 9.

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2015. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and is further explained in note 9.

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.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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 2015.

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 restriction, commitment, or assignment of fund balance for subsequent year expenditures for governmental funds. A restriction, commitment, or assignment for encumbrances 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.

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 fund's interest in the pool is presented as equity in pooled cash and cash equivalents on the financial statements.

During fiscal year 2015, the School District 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, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$810.

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, 2015

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 position 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 \$1,000. 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, 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

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 position.

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.

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.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the School District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the School District’s Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows of resources. Net investment in capital assets consists 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 position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Of the School District's restricted net position, none is restricted for enabling legislation.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 change in fund balance - 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);

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3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis);
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the entire Uniform School Supplies and Public School Support Funds.

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	\$734,578
Revenue Accruals	260,556
Expenditure Accruals	(184,094)
Encumbrances	(147,982)
(Excess) Deficit of Funds Combined with the General Fund for Reporting Purposes	4,556
Budget Basis	\$667,614

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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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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. Investments may only be made through specified dealers and institutions.

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, 2015, the School District’s bank balance of \$705,947 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments As of June 30, 2015, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAROhio	\$1,477,657	<1 Year

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 STAROhio. STAROhio has been rated AAAM by Standard & Poor’s.

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 securities or obligations of federal agencies or instrumentalities. 100 percent of the School District’s investments are in STAROhio.

Custodial Credit Risk – 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 distributions occur in the first half of the following fiscal year.

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2015 (other than public utility property tax) represents the collection of 2015 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2015 were levied after April 1, 2014, on the value as of December 31, 2014. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$102,929,260	92.98%	\$104,628,440	93.07%
Public Utility	7,776,510	7.02%	7,787,940	6.93%
Total Assessed Value	\$110,705,770	100.00%	\$112,416,380	100.00%
Tax rate per \$1000 of Assessed Valuation	\$20.71		\$20.21	

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, 2015 are available to finance fiscal year 2015 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, 2015 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 inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

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The amount available as an advance at June 30, 2015, was \$80,740 in the General Fund and \$2,086 in the Permanent Improvement Non-major Capital Projects Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015, 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:

Nonmajor Funds:	
Early Childhood Education	\$26,188
Special Education	35,986
Title I	252,406
Title II-A	13,552
Miscellaneous Federal Grants	5,429
Total Nonmajor Funds	333,561
Total All Funds	\$333,561

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Ending Balance 6/30/14	Additions	Deletions	Ending Balance 6/30/15
Capital Assets, Not Being Depreciated				
Land	\$235,967	\$0	\$0	\$235,967
Total Capital Assets, Not Being Depreciated	235,967	0	0	235,967
Capital Assets, Being Depreciated				
Land Improvements	1,397,993	340,894	0	1,738,887
Buildings and Improvements	35,311,254	766,216	0	36,077,470
Furniture and Equipment	6,237,002	321,486	0	6,558,488
Vehicles	2,033,256	533,758	0	2,567,014
Textbooks	1,079,146	0	0	1,079,146
Total Capital Assets, Being Depreciated	46,058,651	1,962,354	0	48,021,005
Less Accumulated Depreciation				
Land Improvements	(1,189,476)	(24,112)	0	(1,213,588)
Buildings and Improvements	(14,624,711)	(935,002)	0	(15,559,713)
Furniture and Equipment	(5,558,928)	(125,358)	0	(5,684,286)
Vehicles	(1,744,018)	(30,329)	0	(1,774,347)
Textbooks	(973,217)	0	0	(973,217)
Total Accumulated Depreciation	(24,090,350)	(1,114,801)	0	(25,205,151)
Total Capital Assets, Being Depreciated, Net	21,968,301	847,553	0	22,815,854
Governmental Activities Capital Assets, Net	\$22,204,268	\$847,553	\$0	\$23,051,821

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$510,901
Special	1,210
Vocational	3,132
Support Services:	
Pupils	290
Instructional Staff	742
Administration	1,804
Fiscal	140
Operation and Maintenance of Plant	549,427
Pupil Transportation	35,250
Operation of Non-Instructional Services	1,635
Extracurricular Activities	10,270
Total Depreciation Expense	<u>\$1,114,801</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 2015, the School District contracted with Argonaut Insurance Group for property, fleet insurance, and liability insurance coverage.

Coverages provided were as follows:

Building and contents – replacement cost	\$39,872,845
Excess liability	
Per occurrence	1,000,000
Total aggregate	1,000,000
Automobile liability	1,000,000
General liability	
Per occurrence	1,000,000
Total aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District has not had a significant reduction in coverage from the prior year.

The School District is a member of the Optimal Health Initiatives (OHI), Scioto Health Plan, Southeast Division of OHI (the Plan), 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 Coworth Financial Services as fiscal agent, who in turns pays the claims on the School District's behalf. The Plan is responsible for the management and operations of the program. Upon a school district's termination from the Plan, the Plan 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 Plan.

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$299,155 for fiscal year 2015. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$914,074 for fiscal year 2015. Of this amount \$159,476 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$3,509,460	\$15,026,647	\$18,536,107
Proportion of the Net Pension			
Liability	0.06934399%	0.06177841%	
Pension Expense	\$206,385	\$683,643	\$890,028

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At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$29,869	\$144,664	\$174,533
School District contributions subsequent to the measurement date	299,155	914,074	1,213,229
Total Deferred Outflows of Resources	\$329,024	\$1,058,738	\$1,387,762
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$569,595	\$2,779,987	\$3,349,582
Difference between School District contributions and proportionate share of contributions	0	42,297	42,297
Total Deferred Inflows of Resources	\$569,595	\$2,822,284	\$3,391,879

\$1,213,229 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$134,931)	(\$658,831)	(\$793,762)
2017	(134,932)	(658,831)	(793,763)
2018	(134,931)	(658,831)	(793,762)
2019	(134,932)	(658,830)	(793,762)
Total	(\$539,726)	(\$2,635,323)	(\$3,175,049)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,006,956	\$3,509,460	\$2,249,936

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$21,512,283	\$15,026,647	\$9,541,981

Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$33,271.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$57,398, \$50,996, and \$52,965, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$61,650, and \$67,162, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 10 - EMPLOYEE BENEFITS

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 240 days for both classified and certified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 52 days for classified and 56 days for certified personnel.

Insurance Benefits

The School District provides life insurance to most employees through the Metropolitan Education Council.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 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 financial statements for the governmental funds. Principal payments in fiscal year 2015 totaled \$238,000 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2015.

Fiscal Year Ending June 30,	
2016	\$289,201
2017	289,629
2018	288,321
2019	153,743
Total Minimum Lease Payments	1,020,894
Less: Amounts Representing Interest	(85,894)
Present Value of Minimum Lease Payments	\$935,000

NOTE 12 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14*	Additions	Deductions	Principal Outstanding 6/30/15	Due Within One Year
1999 Capital Appreciation Bonds:					
4.53% - 4.93%	\$78,355	\$0	(\$78,355)	\$0	\$0
Accretion on Capital Appreciation Bonds	189,985	11,660	(201,645)	0	0
Bus Note	0	450,000	(67,500)	382,500	90,000
HB 264 Note	0	993,000	0	993,000	78,000
Capital Leases	1,173,000	0	(238,000)	935,000	249,000
Compensated Absences	1,459,257	393,666	(423,045)	1,429,878	97,192
Net Pension Liability	22,023,308	0	(3,487,201)	18,536,107	0
Total Long-Term Liabilities	\$24,923,905	\$1,848,326	(\$4,495,746)	\$22,276,485	\$514,192

*Restated. See note 22 for additional information.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

\$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% to 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 serial and certain capital appreciation bonds matured in prior years. Capital appreciation bonds maturing in 2015 were repaid in the amount of \$280,000.

In August 2014, the School District issued \$450,000 in notes for the purchase of school buses. These notes carry a 2.5% interest rate and a final maturity date of August 1, 2019. These notes are general obligations of the School District.

In October 2014, the School District issued \$993,000 in notes to fund an energy conservation project. These notes carry a 2.7% interest rate and a final maturity date of December 1, 2024. These notes are general obligations of the School District.

Capital appreciation general obligation bonds were paid from the Bond Retirement Fund. The bus notes will be repaid from the Bond Retirement Fund. The energy conservation notes will be repaid from the General 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 fund being the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$9,734,980 with an unvoted debt margin of \$112,416 at June 30, 2015.

Principal and interest requirements to retire capital appreciation general obligation bonds at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	HB 264 Loan		Bus Note	
	Principal	Interest	Principal	Interest
2016	\$78,000	\$40,244	\$90,000	\$8,719
2017	100,000	17,744	90,000	6,469
2018	100,000	16,494	90,000	4,219
2019	100,000	14,744	90,000	1,969
2020	100,000	12,744	22,500	141
2021-2025	515,000	32,025	0	0
Total	\$993,000	\$133,995	\$382,500	\$21,517

NOTE 13 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2015 consist of the following individual fund receivables and payables, which are expected to be repaid during the 2016 fiscal year:

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	Receivable	Payable
Major Fund:		
General Fund	\$36,584	\$0
Nonmajor Funds:		
Early Childhood	0	8,400
Title I	0	16,219
Title II-A	0	10,403
Miscellaneous Federal Grants	0	1,562
Total Interfund Receivables/Payables	\$36,584	\$36,584

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 funds.

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2015 were as follows:

	Transfers In	Transfers Out
Major Fund:		
General Fund	\$0	\$421,737
Nonmajor Funds:		
Bond Retirement	82,824	39,235
Permanent Improvement	39,235	0
Food Service	273,913	0
Athletics	65,000	0
Total Transfers	\$460,972	\$460,972

Transfers were made from the General Fund to various funds to subsidize operations. Transfers were made from the Bond Retirement Fund to the Permanent Improvement Fund to move a residual balance after the maturity of an existing bond, which was approved by the County Budget Commission.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments - The School District is a participant in the South Central Ohio Computer Association Council of Governments (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 \$127,185 for services provided by SCOCA during the fiscal year. Financial information can be obtained from Sandra Benson, Chief Financial Officer, 175 Beaver Creek Road, Suite C, Piketon, Ohio 45661.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Southern Ohio Academy - The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom Vernon, Clay, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington-Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL

Optimal Health Initiatives - The School District is a member of the Optimal Health Initiatives (OHI), 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 Optimal Health Initiatives (OHI), Scioto Health Plan, Southeast Division of OHI (the Plan), formerly called the Scioto County Schools Council. The overall objectives of the Plan are to formulate and administer a program of health insurance for the benefit of the Plan 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 Plan'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 Plan estimates will cover the costs of all claims for which the Plan 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 Plan views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, Coworth Financial Services, 10999 Reed Hartman Hwy, Cincinnati, Ohio 45242.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS

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 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. The School District is no longer required to set aside funds in the budget stabilization set-aside, with the exception of monies received from the Bureau of Worker’s Compensation, which must be spent for specified purposes. The School District has elected to maintain its budget stabilization set-aside to be used to offset future fund deficits. As such, this set-aside is not reflected as restricted fund balance on the fund financial statements, but is instead reflected in the unassigned fund balance classification.

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

	Capital Acquisition	Budget Stabilization
Set-aside balance as of June 30, 2014	\$0	\$87,229
Current year set-aside requirement	278,669	0
Current year offsets	(12,298)	0
Current year qualifying disbursements	(557,062)	(87,229)
Total	(\$290,691)	\$0
Balance carried forward to fiscal year 2016	\$0	\$0
Set-aside balance as of June 30, 2015	\$0	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition set-aside. The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the set-aside for capital acquisition to \$0. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,905,956 at June 30, 2015.

NOTE 17 - CONTINGENCIES

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

Litigation

The School District is not currently party to legal proceedings.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

State Foundation Funding

School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District. Therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 – ACCOUNTABILITY

Fund Balance Deficits

At June 30, 2015, the General Fund and the nonmajor Food Service, Early Childhood, Title I, and Title II-A Grants Funds had fund balance deficits of \$207,020, \$75,470, \$10,192, \$18,931 and \$29,997, 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 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	Other Governmental Funds	Total Governmental Funds
<i>Restricted</i>			
Capital Projects and Maintenance	\$0	\$477,967	\$477,967
Athletics	0	150,361	150,361
Federal Grants	0	3,334	3,334
Debt Service	0	6	6
Total Restricted	0	631,668	631,668
<i>Committed</i>			
Other Purposes	26,770	0	26,770
Termination Benefits	283,863	0	283,863
Furniture Reserve	25,000	0	25,000
Total Committed	335,633	0	335,633
<i>Assigned</i>			
Other Purposes	140,258	0	140,258
Student and Staff Support	7,142	0	7,142
Total Assigned	147,400	0	147,400
<i>Unassigned (Deficit)</i>	(690,053)	(134,590)	(824,643)
Total Fund Balances	(\$207,020)	\$497,078	\$290,058

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 20 – ENCUMBRANCE COMMITMENTS

At June 30, 2015, the School District had encumbrance commitments in the governmental funds as follows:

<i>Major Fund</i>	
General	\$147,982
<i>Nonmajor Funds</i>	
Building	270,916
Food Service	186
Athletics	867
Title I	180
Total Nonmajor Funds	<u>272,149</u>
Total Encumbrances	<u>\$420,131</u>

NOTE 21 – SIGNIFICANT COMMITMENTS

At June 30, 2015, the School District had an outstanding contract with TMI Electrical Contractors, Inc. for its energy conservation project. The contract amount was \$993,000 and \$737,859 had been paid as of fiscal year end, leaving a balance of \$255,141.

NOTE 22 – IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENT OF BEGINNING BALANCES

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions,” and GASB Statement No 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$19,447,043
Adjustments:	
Net Pension Liability	(22,023,308)
Deferred Outflows-Payments Subsequent to Measurement Date	<u>1,159,883</u>
Restated Net Position June 30, 2014	<u>(\$1,416,382)</u>

Northwest Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years

	2013	2014
<i>State Teachers Retirement System</i>		
School District's proportion of the net pension liability (asset)	0.06177841%	0.06177841%
School District's proportionate share of the net pension liability (asset)	\$17,899,643	\$15,026,647
School District's covered-employee payroll	\$6,716,200	\$6,881,715
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	266.514443%	218.356124%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%
<i>School Employees Retirement System</i>		
School District's proportion of the net pension liability (asset)	0.06934399%	0.06934399%
School District's proportionate share of the net pension liability (asset)	\$4,123,665	\$3,509,460
School District's covered-employee payroll	\$3,088,969	\$2,024,885
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	133.496464%	173.316467%
Plan fiduciary net position as a percentage of the total pension liability	65.520824%	71.697842%

The amounts presented for each fiscal year were determined as of June 30.
Information not available prior to 2013.

Northwest Local School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$772,938	\$762,185	\$783,481	\$880,522	\$942,518	\$934,141	\$954,095	\$873,106	\$894,623	\$914,074
Contributions in relation to the contractually required contribution	772,938	762,185	783,481	880,522	942,518	934,141	954,095	873,106	894,623	914,074
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$5,945,677	\$5,862,962	\$6,026,777	\$6,773,246	\$7,250,138	\$7,185,700	\$7,339,192	\$6,716,200	\$6,881,715	\$6,529,100
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$241,315	\$217,857	\$177,243	\$167,370	\$264,061	\$337,095	\$374,948	\$404,655	\$265,260	\$299,155
Contributions in relation to the contractually required contribution	241,315	217,857	177,243	167,370	264,061	337,095	374,948	404,655	265,260	299,155
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$2,280,860	\$2,039,860	\$1,804,919	\$1,700,915	\$2,066,205	\$2,854,318	\$2,952,346	\$3,088,969	\$2,024,885	\$2,269,765
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%	9.84%	12.78%	11.81%	12.70%	13.10%	13.10%	13.18%

The amounts presented for each fiscal year were determined as of June 30.

NORTHWEST LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	2014/2015	10.553	\$193,047	\$0	\$193,047	\$0
National School Lunch Program	2014/2015	10.555	414,720	41,371	414,720	41,371
Total U.S. Department of Agriculture			607,767	41,371	607,767	41,371
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	2014	84.010	96,840	0	107,668	0
Title I Grants to Local Educational Agencies	2015	84.010	473,571	0	490,261	0
Total Title I Cluster			570,411	0	597,929	0
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2015	84.027	303,453	0	303,453	0
Improving Teacher Quality	2014	84.367	10,297	0	11,310	0
Improving Teacher Quality	2015	84.367	125,001	0	135,396	0
Total Improving Teacher Quality			135,298	0	146,706	0
Rural Education	2014	84.358	4,273	0	5,251	0
Rural Education	2015	84.358	22,261	0	23,831	0
Total Rural Education			26,534	0	29,082	0
Race to the Top - ARRA	2014	84.395	0	0	17,751	0
Race to the Top - ARRA	2015	84.395	2,054	0	2,054	0
Total Race to the Top - ARRA			2,054	0	19,805	0
Total U.S. Department of Education			1,037,750	0	1,096,975	0
Total Federal Financial Assistance			\$1,645,517	\$41,371	\$1,704,742	\$41,371

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2015, the District received commodities inventory. 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 fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2015, the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OME Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3 - Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northwest Local School District (the School District), Scioto County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2016, wherein we noted the School District adopted new accounting guidelines in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Northwest Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based Required by
Government Auditing Standards

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 29, 2016

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Northwest Local School District (the School District), Scioto County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

The School District's management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the applicable compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the School District's major federal programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Northwest Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with an applicable compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with an applicable compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 29, 2016

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiencies reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under § .510(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA #10.553/10.555 Nutrition Cluster CFDA # 84.010 Title I
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11.	<i>Low Risk Auditee?</i>	No

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.



Dave Yost • 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
MAY 3, 2016**