



***NORTHWEST
LOCAL SCHOOL DISTRICT***

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2011

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 Jul 1, 2010 through June 30, 2011. 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.

Finding for Recovery

Ohio Revised Code Section 117.28 requires the Auditor of State to issue a finding for recovery when “an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated...”

During the period January 1, 2010 through November 4, 2011 (“Period”), Ms. Karen Morrow, Former Treasurer, was employed as treasurer for the Northwest Local School District (“District”). Ms. Morrow was responsible for notifying the District office when she was absent from work or attending meetings away from the office.

District office personnel recorded the absences on a calendar and in some instances, included the reasons given by you for the absences, such as sick, vacation or meeting. The calendar comments were used as support for days during the Period that Ms. Morrow was not present.

On 21 occasions, Ms. Morrow was listed on the calendar as absent for specific reasons such as sick, illness, doctor appointment or vacation and no leave was used. On five occasions, Ms. Morrow was listed on the calendar as out at a location, meeting or event and no mileage was claimed. On four occasions, Ms. Morrow was listed on the calendar at meetings and documentation obtained from the meeting sponsors indicated she was not in attendance. On 12 occasions, she was listed on the calendar as out and no mileage was claimed or leave used. Ms. Morrow received wages totaling \$11,155 for the unexcused absences.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is issued against Karen Morrow, in the amount of \$11,155, and in favor of the general fund for the Northwest Local School District

Northwest Local School District
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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". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 27, 2012

Northwest Local School District
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Board of Education
Northwest Local School District
Independent Auditor's Report

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively compromise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 7, 2012

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 assets exceeded its liabilities at June 30, 2011 by \$22,480,562.
- The School District's net assets of governmental activities decreased \$1,693,428.
- General revenues accounted for \$14,129,922 or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$3,818,442 or 21 percent of total revenues of \$17,948,364.
- The School District had \$19,641,792 in expenses related to governmental activities; \$3,818,442 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Fiduciary Funds

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

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	2011	2010
Assets:		
Current and Other Assets	\$5,263,824	\$6,369,195
Capital Assets, Net	25,374,988	26,328,286
Total Assets	30,638,812	32,697,481
Liabilities:		
Current and Other Liabilities	3,982,837	4,097,192
Long-Term Liabilities	4,175,413	4,426,299
Total Liabilities	8,158,250	8,523,491
Net Assets:		
Invested in Capital Assets, Net of Related Debt	23,214,435	23,877,737
Restricted	1,411,137	1,718,962
Unrestricted (Deficit)	(2,145,010)	(1,422,709)
Total Net Assets	\$22,480,562	\$24,173,990

Total net assets of the School District as a whole decreased \$1,693,428. Current and other assets decreased \$1,105,371 due primarily to a decrease in cash balances as a result of increased expenditures and due to a decrease in intergovernmental receivables which was a result of a decrease in funding. Capital assets decreased \$953,298 which was due to current year depreciation exceeding current year additions. Current and other liabilities decreased by \$114,355 due mainly to a decrease in accrued wages and benefits and accounts payable. Long-term liabilities decreased \$250,886 due mainly to principal payments which was partially offset by an increase in compensated absences.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2
Change in Net Assets

	2011	2010
Revenues		
Program Revenues:		
Charges for Services and Sales	\$497,127	\$406,848
Operating Grants and Contributions	3,321,315	3,946,018
Total Program Revenues	3,818,442	4,352,866
General Revenues:		
Taxes Levied for:		
General Purposes	1,788,956	1,608,464
Debt Service	66,286	328,620
Capital Maintenance	32,163	30,711
Grants and Entitlements, Not Restricted to Specific Programs	12,238,031	11,707,277
Gain on Sale of Capital Assets	887	1,166
Investment Earnings	792	1,860
Miscellaneous	2,807	1,434
Total General Revenues	14,129,922	13,679,532
Total Revenues	17,948,364	18,032,398
Program Expenses:		
Instruction:		
Regular	8,398,672	8,663,112
Special	1,352,730	1,561,659
Vocational	92,164	84,086
Other	600,426	516,268
Support Services:		
Pupils	878,316	678,723
Instructional Staff	1,154,309	1,200,543
Board of Education	38,443	89,885
Administration	1,261,804	1,022,137
Fiscal	319,046	325,925
Operation and Maintenance of Plant	2,361,566	1,950,724
Pupil Transportation	1,867,096	1,860,322
Central	22,483	84,624
Operation of Non-Instructional Services	805,163	822,942
Extracurricular Activities	302,584	343,317
Interest and Fiscal Charges	186,990	212,969
Total Expenses	19,641,792	19,417,236
Change in Net Assets	(1,693,428)	(1,384,838)
Net Assets at Beginning of Year	24,173,990	25,558,828
Net Assets at End of Year	\$22,480,562	\$24,173,990

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Grant and entitlements not restricted to specific programs increased \$530,754 due primarily to an increase in State foundation funding. Operating grants and contributions decreased \$624,703 due primarily to a reduction in stimulus funding. Taxes decreased as a result the reduction of a levy for debt service purposes.

Instruction expenses decreased due mainly to a reduction in teaching personnel resulting from a reduction in federal funding. Operation and maintenance of plant increased to due maintenance costs incurred to maintain the School District's buildings.

Governmental Activities

Grants and entitlements, not restricted to specific programs comprised 68 percent of revenue for governmental activities, while operating grants and contributions comprised 19 percent of revenue for governmental activities, and property taxes comprised 11 percent of revenue for governmental activities of the School District for fiscal year 2011.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 43 percent of governmental program expenses while special instruction comprised 7 percent of governmental expenses. Operation and maintenance of plant and pupil transportation expenses comprised 12 percent and 10 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	
	2011	2010	2011	2010
Instruction	\$10,443,992	\$10,825,125	\$8,807,445	\$8,559,237
Support Services	7,903,063	7,212,883	6,593,548	6,080,297
Operation of Non-Instructional Services	805,163	822,942	(8,906)	92,641
Extracurricular Activities	302,584	343,317	244,273	119,725
Interest and Fiscal Charges	186,990	212,969	186,990	212,470
Total Expenses	\$19,641,792	\$19,417,236	\$15,823,350	\$15,064,370

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$17,842,729 and expenditures and other financing uses of \$19,009,637. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased in the amount of \$1,175,086. This was a result of increased expenditures over the prior year mainly resulting from an increase in salaries and benefits due to the General Fund paying for employees that were formerly paid from Federal funds. The increase in expenditures was partially offset by an increase in intergovernmental revenues resulting from increased foundation revenues.

The fund balance of the Bond Retirement Fund decreased in the amount of \$104,377. This decrease was due to revenues exceeding expenditures during the year, which resulted primarily from the loss of tax revenue.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 2011, there were several revisions to the General Fund budget. In part, these revisions increased appropriations by \$818,473 as a result of increases for instructional salaries and benefits. These revisions also increased estimated resources by \$922,836 as a result of increased foundation funding. 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 \$1,370,151.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$25,374,988 invested in its capital assets. Table 4 shows the fiscal year 2011 balances compared to 2010.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	<u>2011</u>	<u>2010*</u>
Land	\$246,624	\$246,624
Land Improvements	197,744	160,986
Buildings and Improvements	23,624,128	24,618,352
Furniture and Equipment	783,304	740,277
Vehicles	416,689	452,081
Textbooks	106,499	109,966
Totals	<u>\$25,374,988</u>	<u>\$26,328,286</u>

*Reclassifications were made to more accurately reflect asset classifications.

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

Debt

At June 30, 2011, the School District had School Facilities General Obligations Refunding Bonds outstanding of \$931,457. The bonds were issued for school construction. The School District also had capital lease obligations outstanding of \$1,824,000. See Note 12 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Northwest Local School District
Statement of Net Assets
As of June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,765,453
Intergovernmental Receivable	128,541
Taxes Receivable	2,369,830
Nondepreciable Capital Assets	246,624
Depreciable Capital Assets, net	25,128,364
<i>Total Assets</i>	30,638,812
Liabilities:	
Accounts Payable	5,138
Accrued Wages and Benefits	1,797,479
Intergovernmental Payable	476,022
Deferred Revenue	1,704,198
Long-Term Liabilities:	
Due Within One Year	543,658
Due in More Than One Year	3,631,755
<i>Total Liabilities</i>	8,158,250
Net Assets:	
Invested in Capital Assets, Net of Related Debt	23,214,435
Restricted for Debt Service	1,035,094
Restricted for Other Purposes	288,814
Restricted for Set-Asides	87,229
Unrestricted (Deficit)	(2,145,010)
<i>Total Net Assets</i>	\$22,480,562

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, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$8,398,672	\$96,680	\$1,450,539	(\$6,851,453)
Special	1,352,730	14,340	74,988	(1,263,402)
Vocational	92,164	0	0	(92,164)
Other	600,426	0	0	(600,426)
Support Services:				
Pupils	878,316	93,305	278,640	(506,371)
Instructional Staff	1,154,309	0	540,720	(613,589)
Board of Education	38,443	0	0	(38,443)
Administration	1,261,804	12,374	169,713	(1,079,717)
Fiscal	319,046	0	0	(319,046)
Operation and Maintenance of Plant	2,361,566	16,607	166,493	(2,178,466)
Pupil Transportation	1,867,096	19,838	0	(1,847,258)
Central	22,483	0	11,825	(10,658)
Operation of Non-Instructional Services	805,163	185,672	628,397	8,906
Extracurricular Activities	302,584	58,311	0	(244,273)
Interest and Fiscal Charges	186,990	0	0	(186,990)
<i>Total Governmental Activities</i>	<u>\$19,641,792</u>	<u>\$497,127</u>	<u>\$3,321,315</u>	<u>(15,823,350)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				1,788,956
Capital Maintenance				32,163
Debt Service				66,286
Grants and Entitlements not				
Restricted for Specific Programs				12,238,031
Gain on Sale of Capital Assets				887
Investment Earnings				792
Miscellaneous				2,807
<i>Total General Revenues</i>				<u>14,129,922</u>
<i>Change in Net Assets</i>				<u>(1,693,428)</u>
<i>Net Assets Beginning of Year</i>				<u>24,173,990</u>
<i>Net Assets End of Year</i>				<u>\$22,480,562</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, 2011

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,398,252	\$1,019,158	\$260,814	\$2,678,224
Interfund Receivable	123,093	0	0	123,093
Intergovernmental Receivable	0	0	128,541	128,541
Taxes Receivable	2,159,519	170,768	39,543	2,369,830
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	87,229	0	0	87,229
<i>Total Assets</i>	<u>\$3,768,093</u>	<u>\$1,189,926</u>	<u>\$428,898</u>	<u>\$5,386,917</u>
Liabilities:				
Accounts Payable	\$5,065	\$0	\$73	\$5,138
Accrued Wages and Benefits	1,577,796	0	219,683	1,797,479
Interfund Payable	0	0	123,093	123,093
Intergovernmental Payable	418,323	0	57,699	476,022
Deferred Revenue	1,998,868	166,753	165,279	2,330,900
<i>Total Liabilities</i>	<u>4,000,052</u>	<u>166,753</u>	<u>565,827</u>	<u>4,732,632</u>
Fund Balances:				
Restricted for:				
Capital Projects and Maintenance	0	0	226,543	226,543
Other Purposes	0	0	1,271	1,271
Debt Service	0	1,023,173	0	1,023,173
Extracurricular Activities	0	0	21,876	21,876
Committed to:				
Student and Staff Support	10,636	0	0	10,636
Other Purposes	80,244	0	0	80,244
Unassigned	(322,839)	0	(386,619)	(709,458)
<i>Total Fund Balances</i>	<u>(231,959)</u>	<u>1,023,173</u>	<u>(136,929)</u>	<u>654,285</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,768,093</u>	<u>\$1,189,926</u>	<u>\$428,898</u>	<u>\$5,386,917</u>

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

Northwest Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2011*

Total Governmental Fund Balances \$654,285

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 25,374,988

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Intergovernmental	128,541	
Taxes	498,161	
Total	626,702	626,702

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.

Compensated Absences	(1,419,956)	
Capital Lease Obligations	(1,824,000)	
Capital Appreciation Bonds	(931,457)	
Total	(4,175,413)	(4,175,413)

Net Assets of Governmental Activities \$22,480,562

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, 2011

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$1,679,827	\$129,591	\$30,636	\$1,840,054
Intergovernmental	12,234,857	36,243	3,158,860	15,429,960
Interest	792	0	0	792
Tuition and Fees	13,790	0	0	13,790
Rent	128,916	0	0	128,916
Extracurricular Activities	93,305	0	75,444	168,749
Gifts and Donations	845	0	0	845
Customer Sales and Services	0	0	185,672	185,672
Miscellaneous	801	0	2,006	2,807
<i>Total Revenues</i>	<u>14,153,133</u>	<u>165,834</u>	<u>3,452,618</u>	<u>17,771,585</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,598,947	0	1,227,494	7,826,441
Special	1,363,402	0	38,255	1,401,657
Vocational	88,678	0	0	88,678
Other	600,426	0	0	600,426
Support Services:				
Pupils	583,051	0	257,819	840,870
Instructional Staff	638,466	0	530,738	1,169,204
Board of Education	38,443	0	0	38,443
Administration	974,921	0	124,050	1,098,971
Fiscal	298,203	5,211	17,901	321,315
Operation and Maintenance of Plant	1,509,025	0	290,731	1,799,756
Pupil Transportation	1,802,716	0	0	1,802,716
Central	9,897	0	12,586	22,483
Operation of Non-Instructional Services	0	0	800,626	800,626
Extracurricular Activities	202,693	0	76,614	279,307
Capital Outlay	257,388	0	33,428	290,816
Debt Service:				
Principal	197,000	265,000	0	462,000
Interest	95,749	0	0	95,749
<i>Total Expenditures</i>	<u>15,259,005</u>	<u>270,211</u>	<u>3,410,242</u>	<u>18,939,458</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,105,872)</u>	<u>(104,377)</u>	<u>42,376</u>	<u>(1,167,873)</u>
Other Financing Sources and Uses:				
Transfers In	0	0	70,179	70,179
Proceeds from Sale of Capital Assets	965	0	0	965
Transfers Out	(70,179)	0	0	(70,179)
<i>Total Other Financing Sources and Uses</i>	<u>(69,214)</u>	<u>0</u>	<u>70,179</u>	<u>965</u>
<i>Net Change in Fund Balances</i>	<u>(1,175,086)</u>	<u>(104,377)</u>	<u>112,555</u>	<u>(1,166,908)</u>
<i>Fund Balance (Deficit) at Beginning of Year - Restated</i>	<u>943,127</u>	<u>1,127,550</u>	<u>(249,484)</u>	<u>1,821,193</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>(\$231,959)</u></u>	<u><u>\$1,023,173</u></u>	<u><u>(\$136,929)</u></u>	<u><u>\$654,285</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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$1,166,908)

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

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

Capital Asset Additions	290,816	
Current Year Depreciation	(1,244,036)	
Total	(953,220)	(953,220)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. These are the amounts of the proceeds from the sale of capital assets and the gain on disposal of capital assets.

Proceeds from Sale of Capital Assets	(965)	
Gain on Sale of Capital Assets	887	
Total	(78)	(78)

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

Intergovernmental	128,541	
Taxes	47,351	
Total	175,892	175,892

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 197,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 265,000

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

Increase in Compensated Absences	(119,873)	
Increase for Accretion	(91,241)	
Total	(211,114)	(211,114)

Net Change in Net Assets of Governmental Activities (\$1,693,428)

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

Northwest Local School District
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)*
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Financing Sources	\$13,563,937	\$14,486,773	\$14,486,773	\$0
Total Expenditures and Other Financing Uses	14,437,447	15,255,920	15,255,920	0
<i>Net Change in Fund Balance</i>	(873,510)	(769,147)	(769,147)	0
<i>Fund Balance at Beginning of Year - Restated</i>	2,076,799	2,076,799	2,076,799	0
<i>Prior Year Encumbrances Appropriated - Restated</i>	62,499	62,499	62,499	0
<i>Fund Balance at End of Year</i>	<u>\$1,265,788</u>	<u>\$1,370,151</u>	<u>\$1,370,151</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 Assets
Fiduciary Funds
As of June 30, 2011

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$38,833	\$26,986
<i>Total Assets</i>	\$38,833	\$26,986
Liabilities:		
Undistributed Monies		\$26,986
<i>Total Liabilities</i>		\$26,986
Net Assets:		
Held in Trust for Scholarships	\$38,833	
<i>Total Net Assets</i>	\$38,833	

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

Northwest Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	\$8,236
Interest	37
<i>Total Additions</i>	<u>8,273</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>5,084</u>
<i>Total Deductions</i>	<u>5,084</u>
<i>Change in Net Assets</i>	3,189
<i>Net Assets Beginning of Year</i>	<u>35,644</u>
<i>Net Assets End of Year</i>	<u><u>\$38,833</u></u>

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 156 square miles. It is located in Scioto County, and includes all of the Villages of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 84 non-certificated and administrative employees, and 115 certificated full-time teaching personnel who provide services to 1,719 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements:

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

The statement of net assets presents the financial condition of 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.

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Retirement Fund

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

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

Fiduciary Funds

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

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

C. Measurement Focus

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

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

D. Basis of Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

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 2011.

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.

F. Cash and Cash Equivalents

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

During fiscal year 2011, 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, 2011.

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 2011 amounted to \$792.

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, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

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

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

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

H. Interfund Balances

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

I. Compensated Absences

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

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

K. Fund 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, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates

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

M. Net Assets

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

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

Of the School District's \$1,411,137 in restricted net assets, none is restricted for enabling legislation.

N. Restricted Assets

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

O. Interfund Transactions

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

	Net Change in Fund Balance
GAAP Basis	(\$1,175,086)
Revenue Accruals	439,035
Expenditure Accruals	58,107
Encumbrances	(85,309)
(Excess) Deficit of Funds Combined with the General Fund for Reporting Purposes	<u>(5,894)</u>
Budget Basis	<u>(\$769,147)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury 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;

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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.

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, 2011, the School District’s bank balance of \$2,675,225 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, 2011, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAROhio	\$37,171	<1 Year
Total Investments	\$37,171	

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.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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.

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2011 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 2011 (other than public utility property tax) represents the collection of 2011 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$86,324,420	92.86%	\$93,929,920	92.74%
Public Utility	6,634,730	7.14%	7,355,620	7.26%
Total Assessed Value	\$92,959,150	100.00%	\$101,285,540	100.00%
 Tax rate per \$1000 of Assessed Valuation	 \$24.81		 \$21.21	

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - PROPERTY TAXES (continued)

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, 2011 are available to finance fiscal year 2011 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, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2011, was \$160,651 in the General Fund, \$4,015 in the Bond Retirement Major Debt Service Fund and \$2,805 in the Classroom Facilities Maintenance Non-major Special Revenue Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2011, consisted of taxes receivable, accounts, interfund receivables, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Non-major Special Revenue Funds:	
Title I	\$81,791
Title II-A	23,903
Early Childhood Education	11,534
Race to the Top	11,313
Total Non-major Special Revenue Funds	<u>128,541</u>
Total All Funds	<u><u>\$128,541</u></u>

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Ending Balance 6/30/10*	Additions	Deletions	Ending Balance 6/30/11
Capital Assets, Not Being Depreciated				
Land	\$246,624	\$0	\$0	\$246,624
Total Capital Assets, Not Being Depreciated	246,624	0	0	246,624
Capital Assets, Being Depreciated				
Land Improvements	1,234,795	66,170	0	1,300,965
Buildings and Improvements	35,212,086	25,691	0	35,237,777
Furniture and Equipment	5,934,310	187,955	(99,796)	6,022,469
Vehicles	2,027,156	11,000	0	2,038,156
Textbooks	1,079,146	0	0	1,079,146
Total Capital Assets, Being Depreciated	45,487,493	290,816	(99,796)	45,678,513
Less Accumulated Depreciation				
Land Improvements	(1,073,809)	(29,412)	0	(1,103,221)
Buildings and Improvements	(10,593,734)	(1,019,915)	0	(11,613,649)
Furniture and Equipment	(5,194,033)	(144,850)	99,718	(5,239,165)
Vehicles	(1,575,075)	(46,392)	0	(1,621,467)
Textbooks	(969,180)	(3,467)	0	(972,647)
Total Accumulated Depreciation	(19,405,831)	(1,244,036)	99,718	(20,550,149)
Total Capital Assets, Being Depreciated, Net	26,081,662	(953,220)	(78)	25,128,364
Governmental Activities Capital Assets, Net	\$26,328,286	(\$953,220)	(\$78)	\$25,374,988

*Reclassifications were made to more accurately reflect asset classifications.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$602,041
Special	1,126
Vocational	342
Support Services:	
Pupils	2,981
Instructional Staff	7,694
Administration	4,491
Fiscal	336
Operation and Maintenance of Plant	549,858
Pupil Transportation	50,255
Operation of Non-Instructional Services	1,635
Extracurricular Activities	23,277
Total Depreciation Expense	<u><u>\$1,244,036</u></u>

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011, the School District contracted with Argonaut Insurance Company for property, fleet insurance, and liability insurance coverage.

Coverages provided were as follows:

Building and contents – replacement cost	\$39,304,800
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 reviewed their insurance policies and have made changes in coverage where deemed appropriate.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at www.ohsers.org, under *Employers/Audit Resources*.

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, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District’s contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$337,095, \$264,061, and \$167,370, respectively; 46 percent of the required contributions have been made for fiscal year 2011 and 100 percent of the required contributions have been made for fiscal years 2010 and 2009. \$183,474 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

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

State Teachers Retirement System

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

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

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

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

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal years ended June 30, 2011, 2010 and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$934,141, \$942,518, and \$880,522, respectively; 84 percent of required contributions have been made for fiscal year 2011 and 100 percent of required contributions have been made for fiscal years 2010 and 2009. \$153,445 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

B. Postemployment Benefits

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010 and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2011, 2010 and 2009, were \$21,693, \$19,252, and \$17,804, which equaled the required allocation for those years.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2011, 2010 and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2011, 2010 and 2009 fiscal years equaled \$86,110, \$56,404, and \$143,739, respectively, which equaled the required allocation for those years.

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

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan that is a hybrid of the Defined Benefit and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$71,857, \$73,437, and \$68,555, for fiscal years 2011, 2010 and 2009, respectively.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

C. Deferred Compensation

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in fiscal year 2011 totaled \$197,000 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, 2011.

Fiscal Year Ending June 30,	
2012	\$291,020
2013	290,929
2014	290,316
2015	290,085
2016	289,201
Thereafter	731,693
Total Minimum Lease Payments	2,183,244
Less: Amounts Representing Interest	(359,244)
Present Value of Minimum Lease Payments	\$1,824,000

NOTE 12 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Due Within One Year
1999 Capital Appreciation Bonds:					
4.53% - 4.93%	\$429,549	\$0	\$92,996	\$336,553	\$89,392
Accretion on Capital Appreciation Bonds	675,667	91,241	172,004	594,904	180,608
Capital Leases	2,021,000	0	197,000	1,824,000	207,000
Compensated Absences	1,300,083	1,084,612	964,739	1,419,956	66,658
Total Long-Term Liabilities	\$4,426,299	\$1,175,853	\$1,426,739	\$4,175,413	\$543,658

\$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% - 4.30%. \$529,992 were issued as capital appreciation bonds. The bonds were issued with a \$358,114 premium. The serial bonds and capital appreciation bonds are not subject to mandatory sinking fund or optional redemption prior to stated maturity. The serial and certain capital appreciation bonds matured in prior years. Capital appreciation bonds maturing in 2011 were repaid in the amount of \$265,000. The remaining capital appreciation bonds will mature in fiscal years 2012 through 2015. The maturity amount of the bonds is \$1,640,000. For fiscal year 2011, \$91,241 was accreted on the capital appreciation bonds for a total outstanding bond value of \$931,457 at fiscal year-end. \$594,904 was the total accreted value through June 30, 2011.

Capital appreciation general obligation bonds will be paid from the Bond Retirement Fund. Capital leases will be paid from the General Fund. Compensated absences will be paid from the funds from which the employees' salaries are paid, with the most significant fund being the General Fund.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - LONG-TERM LIABILITIES (continued)

The School District's overall legal debt margin was \$9,115,699 with an unvoted debt margin of \$101,286 at June 30, 2011.

Principal and interest requirements to retire capital appreciation general obligation bonds at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Capital Appreciation Bonds	Accretion	Total
2012	\$89,392	\$180,608	\$270,000
2013	85,957	189,043	275,000
2014	82,849	197,151	280,000
2015	78,355	201,645	280,000
	\$336,553	\$768,447	\$1,105,000

The accretion in the amortization schedule does not match the principal outstanding at June 30, 2011 since the debt was not fully accreted as of June 30, 2011.

NOTE 13 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2011, were as follows:

	Transfer From	Transfer To
Major Fund:		
General	\$70,179	\$0
Non-Major Special Revenue Funds:		
District Managed Activity	0	70,179
Total Non-Major Special Revenue Funds	0	70,179
Total	\$70,179	\$70,179

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund Balances

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2012 fiscal year:

	Receivable	Payable
Major Fund:		
General Fund	\$123,093	\$0
Non-major Special Revenue Funds:		
Race to the Top	0	11,313
Title II-A	0	3,659
Food Service	0	108,121
Total Non-major Special Revenue Funds	0	123,093
Total Interfund Receivables/Payables	\$123,093	\$123,093

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - INTERFUND ACTIVITY (continued)

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.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid \$151,553 for services provided by SCOCA during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL

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

The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at 411 Court Street, Portsmouth, Ohio 45662.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. 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 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 textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2010	\$0	\$0	\$87,229
Current year set-aside requirement	239,661	239,661	0
Current year offsets	0	(30,866)	0
Current year qualifying disbursements	(1,490,124)	(71,055)	0
Prior year offset from bond proceeds	0	(137,740)	0
Excess qualified expenditures from prior years	(6,250,079)	0	0
Total	<u>(\$7,500,542)</u>	<u>\$0</u>	<u>\$87,229</u>
Balance carried forward to fiscal year 2012	<u>(\$7,500,542)</u>	<u>\$0</u>	<u>\$87,229</u>
Set-aside balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$87,229</u>

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the textbooks and capital acquisition set-aside. The excess amount in the textbooks set-aside may be carried forward and used to reduce the set-aside requirements of future fiscal years. 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 \$3,590,273 at June 30, 2011.

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – CONTINGENCIES (continued)

B. Litigation

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

NOTE 18 – ACCOUNTABILITY

Accountability - Fund Balance Deficits

At June 30, 2011, the General Fund and the Food Service, Early Childhood, Race to the Top, Title I, Title II-A, and Miscellaneous Federal Grants Special Revenue Funds had fund balance deficits of \$231,959, \$207,419, \$18,129, \$14,589, \$121,544, \$24,198, and \$740, 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 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING BALANCES

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the School District has implemented for the fiscal year ended June 30, 2011. This pronouncement does not affect the calculation of the School District’s fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 2K).

As a result of the implementation of GASB Statement No. 54, certain funds previously reported as Special Revenue Funds were reclassified to the General Fund. There were also accruals reported in the Poverty Based Aid Fund at June 30, 2010 that could not subsequently be paid due to loss of funding. As a result, the School District reclassified these payables and related expenditures into the General Fund. These reclassifications and the correction had the following effect on beginning fund balances:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	\$1,123,458	(\$429,815)
Fund Reclassifications		
Public School Support	4,637	(4,637)
Correction	(184,968)	184,968
Restated Fund Balance, July 1, 2010	\$943,127	(\$249,484)

This reclassification had no effect on government-wide net assets.

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NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Fiscal Year Ended June 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	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	05-PU-2011	10.553	\$182,391	\$0	\$183,975	\$0
National School Lunch Program	LL-P4 2011	10.555	432,134	80,557	441,692	80,557
Total U.S. Department of Agriculture			614,525	80,557	625,667	80,557
<u>U.S. Department of Education</u>						
<i>Passed Through Shawnee State University:</i>						
21st Century Grant	N/A	84.287	52,697	0	52,697	0
<i>Passed Through Ohio Department of Education:</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	C1-S1 2011	84.010	663,404	0	649,725	0
Title I Grants - ARRA		84.389	109,413	0	89,888	0
Total Title I Cluster			772,817	0	739,613	0
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	6B-SF 09	84.027	436,843	0	352,450	0
Special Education - Grants to States (IDEA Part B) - ARRA		84.391	55,617	0	90,000	0
Total Special Education Cluster			492,460	0	442,450	0
Education Technology State Grants	TJ-S1 2011	84.318	2,483	0	2,483	0
Improving Teacher Quality	TR-S1 2011	84.367	158,251	0	143,721	0
Rural Education	RU-S1 2011	84.358	37,408	0	37,408	0
State Fiscal Stabilization Fund - Education State Grant - ARRA		84.394	985,713	0	996,838	0
Race to the Top		84.395	10,717	0	22,029	0
Total U.S. Department of Education			2,512,546	0	2,437,239	0
Total Federal Financial Assistance			\$3,127,071	\$80,557	\$3,062,906	\$80,557

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2011, the District received commodities inventory. Program regulations do not require the Government 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, 2011, 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 OMB 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 general purpose financial statements.

**Independent Accountant'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 45690

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 7, 2012 wherein we noted the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. 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 District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We noted certain noncompliance that we have reported to the management of the District in a separate letter dated May 7, 2012.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and accordingly, we express no opinion on it.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 7, 2012

**Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

Board of Education
Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45690

Compliance

We have audited the compliance of Northwest Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could directly and materially affect its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-002, in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Cash Management that are applicable to its State Fiscal Stabilization Grant. Compliance with such a requirement is necessary, in our opinion, for the District to comply with the requirements of this major program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 detect and correct, noncompliance with a type of 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 reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-002 to be a material weakness.

We noted certain noncompliance that we have reported to the management of the District in a separate letter dated May 7, 2012.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and accordingly, we express no opinion on it.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 7, 2012

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unqualified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
3.	<i>Were there any other significant internal control deficiency 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>	Yes
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified - Special Education Cluster Qualified - State Fiscal Stabilization Fund
8.	<i>Are there any reportable findings under § .510?</i>	Yes
9.	<i>Major Programs (list):</i>	CFDA #84.027/84.391 Special Education Cluster CFDA #84.394 State Fiscal Stabilization Fund
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11.	<i>Low Risk Auditee?</i>	Yes

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2011

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

Finding Number 2011-001

Missuse of Leave Time – Material Weakness

During the period January 1, 2010 through November 4, 2011 (Period), Karen Morrow was employed as Treasurer for Northwest Local School District (District). Ms. Morrow was responsible for notifying the District office when she was absent from work or attending meetings away from the office. Office personnel recorded the absences on a calendar and in some instances, included the reasons given by Ms. Morrow for the absences, such as sick, vacation or meeting. The calendar comments were used as support for days during the Period that Ms. Morrow was not present.

On 21 occasions, Ms. Morrow was listed on the calendar as absent for specific reasons such as sick, illness, doctor appointment or vacations and no leave was used. On five occasions, Ms. Morrow was listed on the calendar as out at a location, meeting or event and no mileage was claimed. On four occasions, Ms. Morrow was listed on the calendar at meetings and documentation obtained from the meeting sponsors indicated she was not in attendance. On 12 occasions, Ms. Morrow was listed on the calendar as out and no mileage was claimed or leave used. Ms. Morrow received wages totaling \$11,155 for these unexcused absences without using any of her leave balances.

We recommend the District closely monitor the leave time used by administrative staff. Further, we recommend the District review policies and/or update policies to include that Administrative Staff are to use proper leave forms for each absence.

Officials Response

I am responding in the matter of the finding on Karen Morrow. Karen was the previous treasurer here in the district before I was employed here. She is no longer employed by the Northwest Local School District. She was placed on administrative leave effective November 7, 2011 pending investigation. On November 11, 2011, the district filed charges against Mrs. Morrow for theft in office. Mrs. Morrow subsequently resigned from her position effective December 20, 2011 in lieu of termination.

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2011

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Title and Number	State Fiscal Stabilization Fund (SFSF) – ARRA 84.394
Grant Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2011-002

Cash Management – Material Weakness

OMB Circular A-110 (2 CFR section 215.22) states that grantees must develop a cash management system to ensure compliance to minimize the time elapsing between the transfer of funds and disbursement by the recipient. The State Fixed Stabilization Grant requires that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of zero by the end of each month received.

The State Fiscal Stabilization Fund had maintained a fund balance at the end of each month throughout the fiscal year.

The District should develop, implement, and monitor procedures to ensure that money drawn down is disbursed by the end of each month it is received to remain in compliance with the cash management requirements of this grant.

Officials Response

I was not in the District during this audit time. Even though this funding source is no longer being used, I do have the understanding that we have to have all funds expended by the end of August and reported by September 30th as we have always done with the federal funding.

NORTHWEST LOCAL SCHOOL DISTRICT

Corrective Action Plan

For the Year Ended June 30, 2011

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2011-002	The District will develop and monitor procedures to ensure that money drawn down is disbursed by the end of each month.	Immediately	Dianna Reedy, Treasurer

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Education
Northwest Local School District
800 Mohawk Drive
McDermott, Ohio 45690

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Northwest Local School District has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 18, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

J.L. Uhrig and Associates, Inc.

J.L. UHRIG AND ASSOCIATES, INC.

May 7, 2011



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
JULY 10, 2012**