

Dave Yost • Auditor of State



**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Northwest Local School District  
Stark County  
2309 Locust Street South  
Canal Fulton, Ohio 44614

To the Board of Education:

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, Stark County, Ohio (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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District, Stark County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof 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 describe in Note 3B, during 2011, Northwest Local School District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Federal Awards Receipts and Expenditure Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 10, 2012

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Northwest Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$666,893 during fiscal year 2011, an increase of 2.14% from 2010.
- General revenues accounted for \$18,027,192 in revenue or 80.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,386,627 or 19.57% of total revenues of \$22,413,819.
- The District had \$21,746,926 in expenses related to governmental activities; only \$4,386,627 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and grants and entitlements) of \$18,027,192 were adequate to provide for these programs.
- The District has two major governmental funds. They are the general fund and classroom facilities fund. The general fund had \$17,180,679 in revenues and other financing sources and \$15,916,952 in expenditures. During fiscal year 2011, the general fund's deficit balance decreased \$1,276,388 from a restated deficit balance of \$2,132,268 to a deficit balance of \$855,880.
- The classroom facilities fund had \$15,898,504 in revenues and \$3,555,730 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$12,342,774 from \$2,718,672 to \$15,061,446.

**Using these Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those 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 what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The statement of net assets and the statement of activities, include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund; all other governmental funds are considered non-major.

***Governmental Funds***

Most of the 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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for students. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-54 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2011 and 2010.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 39,818,722	\$ 40,685,023
Capital assets, net	<u>28,814,132</u>	<u>25,823,314</u>
Total assets	<u>68,632,854</u>	<u>66,508,337</u>
<b><u>Liabilities</u></b>		
Current liabilities	11,454,170	10,957,479
Long-term liabilities	<u>25,384,464</u>	<u>24,423,531</u>
Total liabilities	<u>36,838,634</u>	<u>35,381,010</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	8,296,986	4,573,571
Restricted	27,370,194	31,016,587
Unrestricted (deficit)	<u>(3,872,960)</u>	<u>(4,462,831)</u>
Total net assets	<u>\$ 31,794,220</u>	<u>\$ 31,127,327</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$31,794,220. Of this total, \$27,370,194 is restricted in use leaving the District with an unrestricted net assets deficit of \$3,872,960.

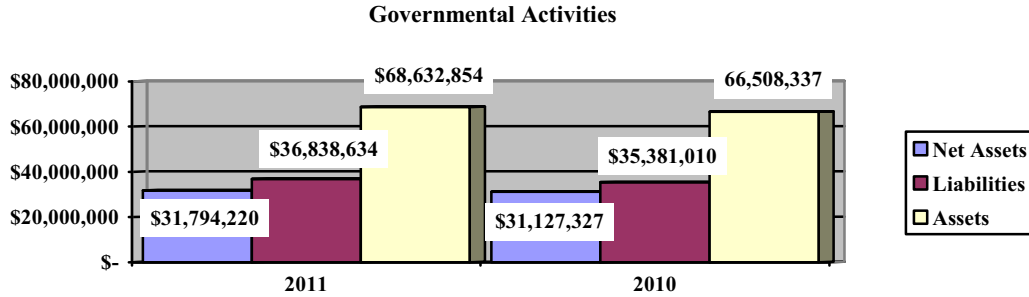
At year-end, capital assets represented 41.98% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$8,296,986. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$27,370,194 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$3,872,960.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's assets, liabilities and net assets for fiscal years 2011 and 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010. The 2010 balances of operating grants and contributions and general revenues - grants and entitlements have been restated to conform to 2011 presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported under operating grants and contributions rather than as general revenue.

**Change in Net Assets**

	Governmental Activities 2011	Restated Governmental Activities 2010
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,049,368	\$ 1,270,706
Operating grants and contributions	3,336,223	2,752,723
Capital grants and contributions	1,036	5,159
General revenues:		
Property taxes	8,240,116	7,606,376
Income taxes	371,872	-
Grants and entitlements	9,356,834	39,217,690
Investment earnings	19,847	3,190
Miscellaneous	38,523	28,242
Total revenues	<u>22,413,819</u>	<u>50,884,086</u>

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**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Change in Net Assets - (Continued)**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,908,997	\$ 9,493,963
Special	2,548,149	2,279,807
Vocational	185,233	211,200
Other	122,402	107,578
Support services:		
Pupil	787,859	864,604
Instructional staff	151,222	151,031
Board of education	125,115	97,137
Administration	1,688,365	1,696,928
Fiscal	440,837	437,742
Operations and maintenance	3,373,434	1,723,778
Pupil transportation	1,027,089	930,660
Central	259,465	318,699
Food service operations	667,368	748,660
Other non-instructional services	100,154	154,006
Extracurricular activities	351,888	424,098
Interest and fiscal charges	<u>1,009,349</u>	<u>1,005,277</u>
Total expenses	<u>21,746,926</u>	<u>20,645,168</u>
Change in net assets	666,893	30,238,918
Net assets at beginning of year	<u>31,127,327</u>	<u>888,409</u>
Net assets at end of year	<u>\$ 31,794,220</u>	<u>\$ 31,127,327</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$666,893. Total governmental expenses of \$21,746,926 were offset by program revenues of \$4,386,627 and general revenues of \$18,027,192. Program revenues supported 20.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from taxes and grants and entitlements. These revenue sources represent 80.17% of total governmental revenue. Grants and entitlements reported as general revenues decreased significantly due to grant monies received by the District in fiscal year 2010 from the Ohio School Facilities Commission (OSFC) for the construction project.

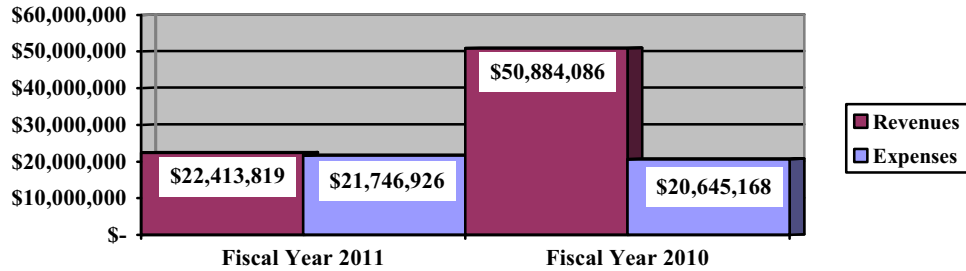
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,764,781 or 54.10% of total governmental expenses for fiscal year 2011.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 tax revenue and unrestricted State grants and entitlements. The 2010 net cost of services for special instruction has been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as an operating grant offsetting special instruction.

**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,908,997	\$ 7,565,342	\$ 9,493,963	\$ 8,330,383
Special	2,548,149	1,306,778	2,279,807	1,123,788
Vocational	185,233	139,093	211,200	165,404
Other	122,402	122,402	107,578	107,578
Support services:				
Pupil	787,859	609,431	864,604	720,653
Instructional staff	151,222	104,572	151,031	117,026
Board of education	125,115	125,115	97,137	97,137
Administration	1,688,365	1,683,365	1,696,928	1,691,928
Fiscal	440,837	440,837	437,742	437,742
Operations and maintenance	3,373,434	2,983,026	1,723,778	1,438,835
Pupil transportation	1,027,089	955,411	930,660	876,499
Central	259,465	112,936	318,699	180,954
Food service operations	667,368	(10,648)	748,660	54,124
Other non-instructional services	100,154	(12,930)	154,006	46,219
Extracurricular activities	351,888	226,220	424,098	223,033
Interest and fiscal charges	1,009,349	1,009,349	1,005,277	1,005,277
<b>Total</b>	<u>\$ 21,746,926</u>	<u>\$ 17,360,299</u>	<u>\$ 20,645,168</u>	<u>\$ 16,616,580</u>

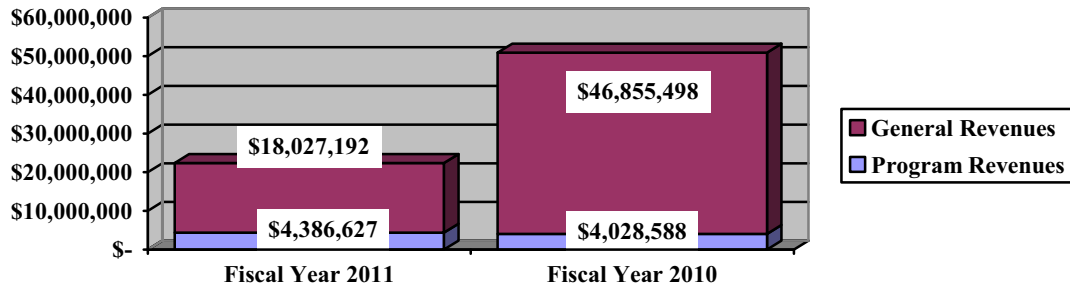
**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, 77.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.83%. The District's taxpayers and grants and entitlements, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as a program revenue rather than a general revenue.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

Fund balances for the District's governmental funds (as presented on the balance sheet on page 17) increased significantly due to State grant monies received in the classroom facilities fund for the District's construction project. The District's governmental funds reported a combined fund balance of \$15,817,459, compared to last year's combined fund balance of \$1,659,758. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. Fund balances have been restated as described in Note 3.B.

	Fund Balance (Deficit) <u>June 30, 2011</u>	Restated Fund Balance (Deficit) <u>June 30, 2010</u>	<u>Increase</u>
General	\$ (855,880)	\$ (2,132,268)	\$ 1,276,388
Classroom facilities	15,061,446	2,718,672	12,342,774
Other governmental	<u>1,611,893</u>	<u>1,073,354</u>	<u>538,539</u>
Total	<u>\$ 15,817,459</u>	<u>\$ 1,659,758</u>	<u>\$ 14,157,701</u>

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

***General Fund***

The table that follows assists in illustrating the financial activities of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 6,928,245	\$ 6,000,839	\$ 927,406	15.45 %
Tuition	172,612	333,353	(160,741)	(48.22) %
Earnings on investments	1,145	229	916	400.00 %
Intergovernmental	9,694,959	10,051,691	(356,732)	(3.55) %
Other revenues	<u>374,874</u>	<u>439,754</u>	<u>(64,880)</u>	(14.75) %
Total	<u>\$ 17,171,835</u>	<u>\$ 16,825,866</u>	<u>\$ 345,969</u>	2.06 %
<b><u>Expenditures</u></b>				
Instruction	\$ 10,349,489	\$ 10,329,036	\$ 20,453	0.20 %
Support services	5,323,583	5,272,785	50,798	0.96 %
Extracurricular activities	208,826	218,366	(9,540)	(4.37) %
Debt service	<u>35,054</u>	<u>745</u>	<u>34,309</u>	4,605.23 %
Total	<u>\$ 15,916,952</u>	<u>\$ 15,820,932</u>	<u>\$ 96,020</u>	0.61 %

The most significant change in general fund revenues was taxes, which increased 15.45% due primarily to the District's new income tax levy. Intergovernmental revenues decreased slightly as a result of decreasing State Foundation revenues. Tuition revenue decreased 48.22% over the prior fiscal year, which is primarily due to the District receiving less in open enrollment revenue. There were no significant changes in the District's general fund expenditures.

***Classroom Facilities Fund***

The classroom facilities fund accounts for the District's OSFC construction project, and had \$15,898,504 in revenues and \$3,555,730 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$12,342,774 from \$2,718,672 to \$15,061,446.

***General Fund Budgeting Highlights***

The 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. The most significant budgeted fund is the general fund.

For the general fund, original and final budgeted revenues and other financing sources were \$16,882,251 and actual revenues and other financing sources for fiscal year 2011 were \$16,320,188. This represents a \$562,063 decrease from the final budgeted amounts, which is mostly due to lower than anticipated receipts for tuition and taxes.

General fund original and final appropriations (appropriated expenditures) were \$16,726,182. The actual budget basis expenditures for fiscal year 2011 totaled \$15,704,931, which was \$1,021,251 less than the final budget appropriations.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$28,814,132 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2011 balances compared to 2010:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>
Land	\$ 158,003	\$ 158,003
Construction in progress	4,494,553	947,039
Land improvements	259,949	256,758
Buildings and improvements	23,070,826	23,846,429
Furniture and equipment	682,958	477,554
Vehicles	147,843	137,531
Total	<u>\$ 28,814,132</u>	<u>\$ 25,823,314</u>

The overall increase in capital assets of \$2,990,818 is due to capital asset additions, primarily construction in progress, of \$4,013,787 exceeding depreciation expense of \$915,643 and disposals, net of accumulated depreciation, of \$107,326 during fiscal year 2011.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2011, the District had \$19,409,663 in general obligation bonds, \$1,715,000 in energy conservation notes and \$2,748,000 in lease-purchase agreements outstanding. The general obligation bonds total includes \$766,693 in unamortized premium on the bond issue, less \$326,229 in unamortized deferred charges. Of the total outstanding debt, \$911,000 is due within one year and \$22,961,663 is due in more than one year. The following table summarizes the District's outstanding debt.

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
General obligation bonds (includes unamortized premium)	\$ 19,409,663	\$ 20,045,743
Energy conservation notes	1,715,000	-
Lease-purchase agreement	<u>2,748,000</u>	<u>2,834,000</u>
Total	<u>\$ 23,872,663</u>	<u>\$ 22,879,743</u>

See Notes 10 and 11 to the basic financial statements for additional information on the District's debt administration.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Current Financial Related Activities**

The District was released from fiscal caution by the Ohio Department of Education in fiscal year 2011, marking the most important financial event of the year. Being released from fiscal oversight means the District has made the hard decisions, garnered financial community support, maintained fiscal responsibility, and taken the right steps to go forward with the development of a Strategic Plan. The financial stability of the District, although fragile and always subject to political impulses, will permit the District to concentrate on student development through the next State Biennial Period.

During fiscal year 2011 the general fund had revenues that exceeded expenditures by \$1,254,883. Revenues and expenditures increased slightly from 2010 amounts.

The District experienced cost savings in 2011 from the closing of the intermediate building, triple tier bussing, and staff reductions. The savings that can be associated with the closing of the intermediate school was greater than \$100,000. Triple tier bussing created a savings but part of the annual savings was negated by the spike in fuel costs at mid-year. Also, for the first time in a number of years, the District did not experience an increase in purchased services for special needs children. Although the total expenditures for 2011 shows a slight increase in the total cost of support services, this was attributable to the timing of payments made for the services rather than an actual increase in the costs.

For fiscal year 2012 the general fund will mirror the 5 Year Forecast that was approved in April. There are a few items that can impact fiscal year 2012 that will be monitored closely. They are:

- With the completion of the HB 264 Energy Conservation Program, the District must monitor utility expenditures closely for comparison with previous years and also ensure the savings are equal to the estimates.
- The District will continue to monitor the collection of the income tax receipts. Through the July 2011 collection period, the District is running about 3% below estimates. This is in slight contrast to the State of Ohio Income Tax Department and also the Canal Fulton Income Tax Department who both are experiencing an increase in their collections. The District believes this may be due to the newness of the tax and, as a result, not all taxpayers are contributing yet.
- For the first time in many years, the District has budgeted for some fixed asset spending. The bus fleet is getting older and maintenance equipment is falling apart so it is time to consider replacement of older, well-used assets. The District will analyze the needs of each department and determine the most efficient way to maximize spending.
- Finally, the District will be monitoring all receipts closely. Presently the State Foundation payments are very liquid, and no specific formula is in place right now for State funding. While all the simulations from the State are still projecting the District's forecasted revenue, there are still enough questions and proposals out there that could affect the amount of receipts collected.

The District is working on refinancing \$9,000,000 of debt from the ELPP portion of the building program. The process to sell new bonds requires the District to hold a conference call with a credit rating agency in order to set the credit worthiness of the bonds to be sold. Through the hard work of everyone in the school community the financial outlook for the District has improved enough for Standard & Poor's to raise the credit rating from A- to A. The credit upgrade and being released from fiscal caution are two positive factors for the District in a very short time.



**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dan Levengood, Treasurer, Northwest Local School District, 2309 Locust Street S., Canal Fulton, Ohio 44614.

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**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 19,369,936
Cash with fiscal agent . . . . .	152
Receivables:	
Taxes. . . . .	8,288,255
Accounts. . . . .	4,052
Intergovernmental . . . . .	11,751,955
Accrued interest . . . . .	3,642
Prepayments. . . . .	12,594
Materials and supplies inventory . . . . .	72,215
Unamortized bond issuance costs . . . . .	315,921
Capital assets:	
Land and construction in progress . . . . .	4,652,556
Depreciable capital assets, net . . . . .	24,161,576
Capital assets, net. . . . .	28,814,132
 Total assets. . . . .	 68,632,854
 <b>Liabilities:</b>	
Accounts payable. . . . .	244,993
Contracts payable. . . . .	1,216,697
Retainage payable . . . . .	152
Accrued wages and benefits . . . . .	1,661,353
Pension obligation payable. . . . .	398,665
Intergovernmental payable . . . . .	101,944
Accrued interest payable . . . . .	78,270
Notes payable . . . . .	1,144,378
Unearned revenue . . . . .	6,607,718
Long-term liabilities:	
Due within one year. . . . .	1,186,008
Due in more than one year . . . . .	24,198,456
 Total liabilities . . . . .	 36,838,634
 <b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	8,296,986
Restricted for:	
Capital projects . . . . .	25,599,461
Classroom facilities maintenance . . . . .	211,532
Debt service. . . . .	1,186,705
Locally funded programs . . . . .	827
State funded programs. . . . .	28,583
Federally funded programs . . . . .	326,461
Other purposes . . . . .	16,625
Unrestricted (deficit) . . . . .	(3,872,960)
 Total net assets . . . . .	 \$ 31,794,220

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 8,908,997	\$ 433,817	\$ 909,838	\$ -	\$ (7,565,342)	
Special . . . . .	2,548,149	13,421	1,227,950	-	(1,306,778)	
Vocational . . . . .	185,233	-	46,140	-	(139,093)	
Other . . . . .	122,402	-	-	-	(122,402)	
Support services:						
Pupil . . . . .	787,859	-	178,428	-	(609,431)	
Instructional staff . . . . .	151,222	-	46,650	-	(104,572)	
Board of education . . . . .	125,115	-	-	-	(125,115)	
Administration . . . . .	1,688,365	-	5,000	-	(1,683,365)	
Fiscal . . . . .	440,837	-	-	-	(440,837)	
Operations and maintenance . . . . .	3,373,434	6,858	382,514	1,036	(2,983,026)	
Pupil transportation . . . . .	1,027,089	-	71,678	-	(955,411)	
Central . . . . .	259,465	73,153	73,376	-	(112,936)	
Operation of non-instructional services:						
Food service operations . . . . .	667,368	403,300	274,716	-	10,648	
Other non-instructional services . . . . .	100,154	-	113,084	-	12,930	
Extracurricular activities . . . . .	351,888	118,819	6,849	-	(226,220)	
Interest and fiscal charges . . . . .	1,009,349	-	-	-	(1,009,349)	
Total governmental activities . . . . .	\$ 21,746,926	\$ 1,049,368	\$ 3,336,223	\$ 1,036	(17,360,299)	
<b>General revenues:</b>						
Property taxes levied for:						
General purposes . . . . .					6,551,229	
Debt service . . . . .					1,285,457	
Capital projects . . . . .					193,403	
Special revenue . . . . .					210,027	
School District income tax . . . . .					371,872	
Grants and entitlements not restricted to specific programs . . . . .					9,356,834	
Investment earnings . . . . .					19,847	
Miscellaneous . . . . .					38,523	
Total general revenues . . . . .					18,027,192	
Change in net assets . . . . .					666,893	
<b>Net assets at beginning of year . . . . .</b>					<b>31,127,327</b>	
<b>Net assets at end of year . . . . .</b>					<b>\$ 31,794,220</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<b>General</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 911,631	\$ 16,276,521	\$ 2,181,784	\$ 19,369,936
Cash with fiscal agent. . . . .	-	-	152	152
Receivables:				
Taxes . . . . .	6,802,021	-	1,486,234	8,288,255
Accounts. . . . .	4,052	-	-	4,052
Intergovernmental. . . . .	-	11,531,644	220,311	11,751,955
Accrued interest. . . . .	120	3,522	-	3,642
Due from other funds. . . . .	452,504	-	-	452,504
Prepayments. . . . .	12,594	-	-	12,594
Materials and supplies inventory . . . . .	42,456	-	29,759	72,215
Total assets . . . . .	<u>\$ 8,225,378</u>	<u>\$ 27,811,687</u>	<u>\$ 3,918,240</u>	<u>\$ 39,955,305</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 137,293	\$ -	\$ 107,700	\$ 244,993
Contracts payable . . . . .	-	1,216,697	-	1,216,697
Retainage payable. . . . .	-	-	152	152
Accrued wages and benefits. . . . .	1,376,651	-	284,702	1,661,353
Compensated absences payable . . . . .	216,943	-	-	216,943
Pension obligation payable . . . . .	368,042	-	30,623	398,665
Intergovernmental payable . . . . .	91,858	-	10,086	101,944
Due to other funds . . . . .	-	-	452,504	452,504
Accrued interest payable . . . . .	2,686	-	-	2,686
Notes payable. . . . .	1,144,378	-	-	1,144,378
Deferred revenue . . . . .	339,524	11,533,544	216,745	12,089,813
Unearned revenue. . . . .	5,403,883	-	1,203,835	6,607,718
Total liabilities . . . . .	<u>9,081,258</u>	<u>12,750,241</u>	<u>2,306,347</u>	<u>24,137,846</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	42,456	-	29,759	72,215
Prepays . . . . .	12,594	-	-	12,594
Restricted:				
Debt service . . . . .	-	-	1,198,232	1,198,232
Capital improvements . . . . .	-	15,061,446	-	15,061,446
Classroom facilities maintenance . . . . .	-	-	211,532	211,532
Food service operations . . . . .	-	-	10,745	10,745
Non-public schools . . . . .	-	-	25,195	25,195
Targeted academic assistance . . . . .	-	-	27,774	27,774
Other purposes. . . . .	-	-	188,440	188,440
Committed:				
Capital improvements . . . . .	-	-	496,899	496,899
Assigned:				
Student instruction . . . . .	41,158	-	-	41,158
Student and staff support. . . . .	129,176	-	-	129,176
School supplies. . . . .	162	-	-	162
Unassigned (deficit) . . . . .	<u>(1,081,426)</u>	<u>-</u>	<u>(576,683)</u>	<u>(1,658,109)</u>
Total fund balances (deficit). . . . .	<u>(855,880)</u>	<u>15,061,446</u>	<u>1,611,893</u>	<u>15,817,459</u>
Total liabilities and fund balances. . . . .	<u>\$ 8,225,378</u>	<u>\$ 27,811,687</u>	<u>\$ 3,918,240</u>	<u>\$ 39,955,305</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$	15,817,459
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			28,814,132
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	422,798	
Intergovernmental receivable		11,665,115	
Accrued interest receivable		1,900	
Total		12,089,813	12,089,813
Unamortized premiums on bond issuances are not recognized in the funds.			(766,693)
Unamortized issuance costs are not recognized in the funds.			315,921
Unamortized charges on refundings are not recognized in the funds.			326,229
Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.			(75,584)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds and notes		(20,684,199)	
Compensated absences		(1,294,858)	
Lease-purchase obligations		(2,748,000)	
Total		(24,727,057)	(24,727,057)
<b>Net assets of governmental activities</b>		\$	31,794,220

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>General</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,928,245	\$ -	\$ 1,696,992	\$ 8,625,237
Tuition . . . . .	172,612	-	-	172,612
Earnings on investments . . . . .	1,145	14,892	2,585	18,622
Charges for services . . . . .	-	-	403,300	403,300
Extracurricular . . . . .	45,079	-	112,916	157,995
Classroom materials and fees . . . . .	274,626	-	-	274,626
Other local revenues . . . . .	55,169	-	9,822	64,991
Intergovernmental - intermediate . . . . .	21,607	-	25	21,632
Intergovernmental - state . . . . .	9,673,352	15,883,612	496,426	26,053,390
Intergovernmental - federal . . . . .	-	-	2,418,539	2,418,539
Total revenues . . . . .	<u>17,171,835</u>	<u>15,898,504</u>	<u>5,140,605</u>	<u>38,210,944</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,041,567	-	725,958	8,767,525
Special . . . . .	1,984,157	-	596,500	2,580,657
Vocational . . . . .	201,363	-	-	201,363
Other . . . . .	122,402	-	-	122,402
Support services:				
Pupil . . . . .	594,626	-	181,923	776,549
Instructional staff . . . . .	84,183	-	36,319	120,502
Board of education . . . . .	125,115	-	-	125,115
Administration . . . . .	1,656,925	-	2,987	1,659,912
Fiscal . . . . .	398,870	15,721	30,643	445,234
Operations and maintenance . . . . .	1,334,979	-	2,082,540	3,417,519
Pupil transportation . . . . .	928,175	-	12,475	940,650
Central . . . . .	200,710	-	57,126	257,836
Operation of non-instructional services:				
Food service operations . . . . .	-	-	599,588	599,588
Other non-instructional services . . . . .	-	-	99,216	99,216
Extracurricular activities . . . . .	208,826	-	96,624	305,450
Facilities acquisition and construction . . . . .	-	3,540,009	1,048	3,541,057
Debt service:				
Principal retirement . . . . .	-	-	796,000	796,000
Interest and fiscal charges . . . . .	35,054	-	970,416	1,005,470
Bond and note issuance costs . . . . .	-	-	114,807	114,807
Total expenditures . . . . .	<u>15,916,952</u>	<u>3,555,730</u>	<u>6,404,170</u>	<u>25,876,852</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,254,883</u>	<u>12,342,774</u>	<u>(1,263,565)</u>	<u>12,334,092</u>
<b>Other financing sources (uses):</b>				
Premium on bonds and notes sold . . . . .	-	-	437,256	437,256
Sale of bonds . . . . .	-	-	3,013,682	3,013,682
Sale/loss of assets . . . . .	8,844	-	-	8,844
Sale of notes . . . . .	-	-	1,715,000	1,715,000
Payment to refunding bond escrow agent . . . . .	-	-	(3,362,660)	(3,362,660)
Total other financing sources (uses) . . . . .	<u>8,844</u>	<u>-</u>	<u>1,803,278</u>	<u>1,812,122</u>
Net change in fund balances . . . . .	1,263,727	12,342,774	539,713	14,146,214
<b>Fund balances (deficit)</b>				
<b>at beginning of year (restated) . . . . .</b>	(2,132,268)	2,718,672	1,073,354	1,659,758
<b>Increase (decrease) in reserve for inventory . . . . .</b>	12,661	-	(1,174)	11,487
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (855,880)</u>	<u>\$ 15,061,446</u>	<u>\$ 1,611,893</u>	<u>\$ 15,817,459</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

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** \$ 14,146,214

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

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

Capital asset additions	\$ 4,013,787	
Current year depreciation	(915,643)	
<b>Total</b>		<b>3,098,144</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (107,326)

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

Taxes	(13,249)	
Intergovernmental revenue	(15,785,776)	
Earnings on investments	1,900	
<b>Total</b>		<b>(15,797,125)</b>

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Increase in accrued interest payable	(245)	
Accreted interest on capital appreciation bonds	(10,517)	
Amortization of bond premium	46,306	
Amortization of bond issuance costs	(17,992)	
Amortization of deferred charges	(21,431)	
<b>Total</b>		<b>(3,879)</b>

Proceeds from the sale of bonds and notes are recorded as other financing sources in the governmental funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets. (4,728,682)

Principal payments on bonds and leases are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 796,000

Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. 3,362,660

Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:

Premiums on bonds	(437,256)	
Bond issuance costs	114,807	
<b>Total</b>		<b>(322,449)</b>

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 11,487

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds 211,849

**Change in net assets of governmental activities** \$ 666,893

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,309,554	\$ 6,309,554	\$ 6,140,070	\$ (169,484)
Tuition . . . . .	461,914	461,914	172,612	(289,302)
Earnings on investments . . . . .	1,000	1,000	1,025	25
Extracurricular . . . . .	69,000	69,000	3,321	(65,679)
Classroom materials and fees . . . . .	234,500	234,500	274,626	40,126
Other local revenues . . . . .	7,500	7,500	23,612	16,112
Intergovernmental - intermediate . . . . .	500	500	21,607	21,107
Intergovernmental - state . . . . .	9,795,283	9,795,283	9,673,352	(121,931)
Total revenues . . . . .	<u>16,879,251</u>	<u>16,879,251</u>	<u>16,310,225</u>	<u>(569,026)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,174,560	8,174,560	8,022,837	151,723
Special . . . . .	2,224,860	2,224,860	1,900,531	324,329
Vocational . . . . .	269,525	269,525	208,414	61,111
Other . . . . .	134,000	134,000	120,377	13,623
Support services:				
Pupil . . . . .	693,903	693,903	626,855	67,048
Instructional staff . . . . .	128,311	128,311	85,035	43,276
Board of education . . . . .	123,841	123,841	121,466	2,375
Administration . . . . .	1,666,307	1,666,307	1,635,504	30,803
Fiscal . . . . .	416,795	416,795	387,669	29,126
Operations and maintenance . . . . .	1,445,097	1,445,097	1,294,176	150,921
Pupil transportation . . . . .	953,027	953,027	944,487	8,540
Central . . . . .	218,660	218,660	125,048	93,612
Extracurricular activities . . . . .	250,000	250,000	205,616	44,384
Debt service:				
Interest and fiscal charges . . . . .	27,296	27,296	26,863	433
Total expenditures . . . . .	<u>16,726,182</u>	<u>16,726,182</u>	<u>15,704,878</u>	<u>1,021,304</u>
Excess of revenues over expenditures . . . . .	<u>153,069</u>	<u>153,069</u>	<u>605,347</u>	<u>452,278</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's receipts . . . . .	-	-	(53)	(53)
Other sources . . . . .	-	-	1,119	1,119
Sale/loss of assets . . . . .	3,000	3,000	8,844	5,844
Total other financing sources (uses) . . . . .	<u>3,000</u>	<u>3,000</u>	<u>9,910</u>	<u>6,910</u>
Net change in fund balance . . . . .	156,069	156,069	615,257	459,188
<b>Fund balance at beginning of year . . . . .</b>	<b>443,836</b>	<b>443,836</b>	<b>443,836</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>102,662</b>	<b>102,662</b>	<b>102,662</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 702,567</u></b>	<b><u>\$ 702,567</u></b>	<b><u>\$ 1,161,755</u></b>	<b><u>\$ 459,188</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 87,436
Total assets. . . . .	\$ 87,436
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 2,158
Intergovernmental payable . . . . .	17
Due to students. . . . .	85,261
Total liabilities . . . . .	\$ 87,436

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Northwest Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District is governed by a five-member board of education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District ranks as the 255<sup>th</sup> largest by total enrollment among the 918 public and community school districts in the State. The District employs 87 non-certified and 144 certified employees to provide services to approximately 2,028 students in grades K through 12 and various community groups. The District operates two elementary schools, one middle school and a high school.

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

The basic financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Stark/Portage Area Computer Consortium (SPARCC)

SPARCC is a jointly governed organization created as a regional council of governments pursuant to State Statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with an emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a Board of Directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the Board of Directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Payments to SPARCC are made from the general fund, which amounted to \$100,880 during fiscal year 2011. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street NW, Canton, Ohio 44709.

Stark County Joint Vocational School (JVS)

The JVS is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating districts' Boards and one Board Member that rotates from each participating district, and has its own budgeting and taxing authority. The JVS provides vocational education programs to students of the District. The financial information can be obtained by writing the Stark County Joint Vocational School, 2800 Richville Drive, S.E., Massillon, Ohio 44646.

*PUBLIC ENTITY RISK POOLS*

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan (the "Consortium") is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Insurance Purchasing Pool

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the treasurers of the member schools who have been appointed by the respective governing body of each member school.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The intent of the pool is to achieve a reduced rate for the District by grouping with other members of the group. The injury claim histories of all participating members are used to calculate a common rate for the group. An annual fee is paid to CompManagement, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member annually based on its payroll percent of the group.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*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 purposes 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 District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

Agency funds do not report a measurement focus as they do not report operations.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the object level for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the object level of expenditures for the general fund, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, which no longer requires specific Board approval.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original and final appropriations were passed by the Board of Education.



**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2011, investments were limited to investments in nonnegotiable certificates of deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 \$1,145, which includes \$319 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchases method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These 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 District maintains its capitalization threshold at \$3,500. Books, records, movies and other learning aids kept at the District's library are not included for reporting purposes. The 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.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	5 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 8 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, by those employees who are currently eligible to receive termination benefits and by those employees who are expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with 10 years service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. 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, compensated absences 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 during the current year. Bonds, notes and lease purchase obligations are recognized as a liability in the fund financial statements when due.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**L. Unamortized Bond Issuance Costs, Bond Premiums and Deferred Charges on Refunding**

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 District for specific purposes but do not meet the criteria to be classified as restricted nor 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 represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents the amount restricted by State statute for food service operations.

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

**P. Estimates**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund activities between governmental funds are eliminated in the statement of activities.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance (deficit) as previously reported	\$ (2,246,052)	\$ 2,718,672	\$ 1,187,138	\$ 1,659,758
Fund reclassifications:				
Public school support fund	<u>113,784</u>	<u>-</u>	<u>(113,784)</u>	<u>-</u>
Total fund reclassifications	<u>113,784</u>	<u>-</u>	<u>(113,784)</u>	<u>-</u>
Restated fund balance (deficit) at July 1, 2010	<u>\$ (2,132,268)</u>	<u>\$ 2,718,672</u>	<u>\$ 1,073,354</u>	<u>\$ 1,659,758</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 855,880
 <u>Nonmajor governmental funds</u>	
District managed student activity	17,354
Title VI-B	31,668
Building	527,661

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The district managed student activity fund and building capital projects fund did not comply with State law which does not allow for a negative cash balance at year end.

Contrary to Ohio Revised Code Section 5705.10 the District had negative fund balances in several funds during the months of September 2010 and June 2011, which included the building fund, cafeteria fund, District managed student activity fund, and auxiliary services fund ranging from \$9,307 to \$640,754.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$5,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".



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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash with Fiscal Agent**

The District has money held in accounts by other agents for retainage related to construction contracts. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2011 was \$152 and is not included in “deposits with financial institutions” below.

**C. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$17,204,863. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$16,530,806 of the District’s bank balance of \$17,511,802 was exposed to custodial risk as discussed below, while \$980,996 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	<u>\$ 2,247,009</u>	<u>\$ 2,247,009</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio was rated AAAM by Standard & Poor’s and Moody’s Investor Services. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$2,247,009</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$17,204,863
Investments	2,247,009
Cash with fiscal agent	152
Cash on hand	<u>5,500</u>
Total	<u>\$19,457,524</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$19,370,088
Agency fund	<u>87,436</u>
Total	<u>\$19,457,524</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Due to/from other funds consisted of the following at June 30, 2011:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 452,504</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the statement of net assets.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection 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 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Stark, Summit and Wayne Counties. The County Auditors/Fiscal Officer periodically advance to the 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 as an advance at June 30, 2011 was \$786,783 in the general fund, \$153,267 in the bond retirement debt service fund (a nonmajor governmental fund) and \$45,858 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$274,491 in the general fund, \$58,746 in the bond retirement debt service fund (a nonmajor governmental fund) and \$16,017 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are 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 amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 260,872,590	97.40	\$ 259,460,030	97.24
Public utility personal	6,708,440	2.50	7,201,010	2.70
Tangible personal property	<u>265,429</u>	<u>0.10</u>	<u>169,870</u>	<u>0.06</u>
Total	<u>\$ 267,846,459</u>	<u>100.00</u>	<u>\$ 266,830,910</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$48.50		\$48.50	
Permanent improvements	1.50		1.50	
Debt service	5.00		5.00	

**NOTE 7 - INCOME TAX**

Effective January 1, 2011, the District levies a voted tax of 1% for general obligations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$371,872 for fiscal year 2011.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. 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 year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 8,288,255
Accounts	4,052
Intergovernmental	11,751,955
Accrued interest	<u>3,642</u>
Total	<u>\$ 20,047,904</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except for \$11,531,644 due from the Ohio School Facilities Commission (OSFC) included in intergovernmental receivables, are expected to be collected within the subsequent year.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITAL ASSETS**

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

	Balance <u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/11</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 158,003	\$ -	\$ -	\$ 158,003
Construction in progress	<u>947,039</u>	<u>3,547,514</u>	<u>-</u>	<u>4,494,553</u>
Total capital assets, not being depreciated	<u>1,105,042</u>	<u>3,547,514</u>	<u>-</u>	<u>4,652,556</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	318,789	25,000	-	343,789
Buildings and improvements	30,362,000	25,040	(120,299)	30,266,741
Furniture and equipment	1,548,646	341,483	(34,976)	1,855,153
Vehicles	<u>1,310,503</u>	<u>74,750</u>	<u>(12,500)</u>	<u>1,372,753</u>
Total capital assets, being depreciated	<u>33,539,938</u>	<u>466,273</u>	<u>(167,775)</u>	<u>33,838,436</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(62,031)	(21,809)	-	(83,840)
Buildings and improvements	(6,515,571)	(713,654)	33,310	(7,195,915)
Furniture and equipment	(1,071,092)	(115,742)	14,639	(1,172,195)
Vehicles	<u>(1,172,972)</u>	<u>(64,438)</u>	<u>12,500</u>	<u>(1,224,910)</u>
Total accumulated depreciation	<u>(8,821,666)</u>	<u>(915,643)</u>	<u>60,449</u>	<u>(9,676,860)</u>
Governmental activities capital assets, net	<u>\$ 25,823,314</u>	<u>\$ 3,098,144</u>	<u>\$(107,326)</u>	<u>\$ 28,814,132</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 579,140
Special	13,135
Vocational	3,760
<u>Support services:</u>	
Pupil	7,603
Instructional staff	30,496
Administration	20,756
Operations and maintenance	57,266
Pupil transportation	89,021
Central	1,629
Extracurricular activities	46,438
Non-instructional	938
Food service operations	<u>65,461</u>
Total depreciation expense	<u>\$ 915,643</u>

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LEASE-PURCHASE AGREEMENT - LESSEE DISCLOSURE**

On August 16, 2007, the District entered into a \$1,318,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance the acquisition of a bus garage. On August 6, 2009, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority to finance improvements to the District's buildings. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of buildings have been capitalized in the amount of \$1,325,040. Accumulated depreciation as of June 30, 2011 was \$127,968, leaving a current book value of \$1,197,072. A corresponding liability is recorded in the government-wide financial statements. Lease-purchase proceeds in the amount of \$1,511,645 have not been spent as of June 30, 2011. Principal and interest and fiscal charges payments in fiscal year 2011 totaled \$86,000 and \$133,482, respectively, paid by the permanent improvement fund (a non-major governmental fund).

A liability in the amount of the present value of minimum lease payments has been recorded in the governmental activities of the District.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2012	\$ 220,233
2013	220,745
2014	220,041
2015	220,120
2016	219,958
2017 - 2021	1,100,807
2022 - 2026	1,098,056
2027 - 2031	783,209
2032	<u>114,630</u>
Total	4,197,799
Less: amount representing interest	<u>(1,449,799)</u>
Present value of minimum lease payments	<u>\$ 2,748,000</u>

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>6/30/11</u>	Amount Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Series 2002, Improvement					
Current Interest Bonds	\$ 19,670,000	\$ -	\$ (3,670,000)	\$ 16,000,000	\$ 675,000
Series 2010, Refunding					
Current Interest Bonds	-	2,935,000	(55,000)	2,880,000	35,000
Capital Appreciation Bonds	-	78,682	-	78,682	-
Accreted Interest	-	10,517	-	10,517	-
Total general obligation bonds	<u>19,670,000</u>	<u>3,024,199</u>	<u>(3,725,000)</u>	<u>18,969,199</u>	<u>710,000</u>
<u>Other obligations:</u>					
Energy conservation note	-	1,715,000	-	1,715,000	110,000
Lease-purchase obligations	2,834,000	-	(86,000)	2,748,000	91,000
Compensated absences	<u>1,543,788</u>	<u>183,689</u>	<u>(215,676)</u>	<u>1,511,801</u>	<u>275,008</u>
Total other obligations	<u>4,377,788</u>	<u>1,898,689</u>	<u>(301,676)</u>	<u>5,974,801</u>	<u>476,008</u>
Total all governmental activities long-term liabilities	<u>\$ 24,047,788</u>	<u>\$ 4,922,888</u>	<u>\$ (4,026,676)</u>	24,944,000	<u>\$ 1,186,008</u>
Add: Unamortized premium on bond issuance				766,693	
Less: Unamortized deferred charges on refunding				<u>(326,229)</u>	
Total reported on the statement of net assets				<u>\$ 25,384,464</u>	

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

The lease-purchase obligations will be paid from the permanent improvement fund. See Note 10 for more detail.

Series 2002 School Improvement General Obligation Bonds

During fiscal year 2003, the voters of the District authorized the issuance of \$22,999,986 in general obligation bonds, for the purpose of constructing, furnishing and equipping a new elementary school and an addition to the high school and renovating, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites. These bonds will be retired from proceeds of a 5.0 mil bonded debt tax levy.

The Series 2002 school improvement general obligation bond issue is comprised of both current interest serial and term bonds, par value \$21,930,000, and capital appreciation bonds, par value \$1,069,986.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The current interest bonds maturing on or after December 1, 2012 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2012 and thereafter	100% of par

Mandatory sinking fund requirements for the current interest term bonds occur on December 1, 2020 and 2021 and on December 1, in each of the years 2023 through 2028. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029.

Series 2010 Refunding General Obligation Bonds

On October 6, 2010, the District issued general obligation bonds to advance refund a portion of the Series 2002 bond issue. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a 5.0 mil bonded debt tax levy.

The issuance proceeds of \$3,362,660 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly has been removed from the statement of net assets. At June 30, 2011, \$3,015,000 of this debt was outstanding.

This issue is comprised of current interest bonds, par value \$2,935,000 and capital appreciation bonds, par value \$78,682. The capital appreciation bonds mature December 1, 2020, (stated interest 20.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$545,000. Total accreted interest of \$10,517 has been included on the statement of net assets at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$347,660. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$138,070 and resulted in an economic gain of \$125,579.

Energy Conservation Notes

On October 6, 2010, the District issued notes for the purpose of purchasing and installing energy conservation improvements throughout the District. The improvements are not capital in nature and are expensed as incurred in the financial statements as general maintenance and repair items. The notes bear an interest rate of 5.05%, with interest payable each June 1 and December 1. The final maturity is December 1, 2025.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	General Obligation Current Interest Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 710,000	\$ 794,693	\$ 1,504,693	\$ -	\$ -	\$ -
2013	735,000	770,268	1,505,268	-	-	-
2014	765,000	744,037	1,509,037	-	-	-
2015	790,000	715,756	1,505,756	-	-	-
2016	815,000	685,331	1,500,331	-	-	-
2017 - 2021	4,060,000	2,904,470	6,964,470	-	-	-
2022 - 2026	5,550,000	1,962,938	7,512,938	78,682	466,318	545,000
2027 - 2030	5,455,000	533,306	5,988,306	-	-	-
Total	<u>\$ 18,880,000</u>	<u>\$ 9,110,799</u>	<u>\$ 27,990,799</u>	<u>\$ 78,682</u>	<u>\$ 466,318</u>	<u>\$ 545,000</u>

Fiscal Year Ending June 30	Energy Conservation Notes		
	Principal	Interest	Total
2012	\$ 110,000	\$ 86,608	\$ 196,608
2013	110,000	86,608	196,608
2014	115,000	86,608	201,608
2015	115,000	86,608	201,608
2016	115,000	86,608	201,608
2017 - 2021	575,000	433,040	1,008,040
2022 - 2026	575,000	389,736	964,736
Total	<u>\$ 1,715,000</u>	<u>\$ 1,255,816</u>	<u>\$ 2,970,816</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$6,239,044 (including available funds of \$1,198,232) and an unvoted debt margin of \$266,661.

**NORTHWEST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - NOTES PAYABLE**

On June 22, 2010, the District issued tax anticipation notes in the amount of \$1,137,009 for the purpose of covering general operating costs of the District. Principal and interest payments on the notes are made from the general fund with revenues received from the District's income tax levy. The notes are reported as a liability in the general fund.

This issue is comprised of both current interest notes, par value \$1,115,000, and capital appreciation notes, par value \$22,009. The interest rates on the current interest notes range from 2.000% to 3.125%. The capital appreciation notes mature on December 1, 2014 and 2015 (approximate initial offering yield at maturity of 3.50% and 3.60%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation notes is \$60,000. A total of \$7,369 in accreted interest has been included in the statement of net assets at June 30, 2011.

Interest payments on the current interest notes are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2015.

The following is a schedule of activity for fiscal year 2011 on the income tax anticipation notes:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Tax anticipation notes - series 2010:					
Current interest notes	\$ 1,115,000	\$ -	\$ -	\$ 1,115,000	\$ 215,000
Capital appreciation notes	22,009	-	-	22,009	-
Accreted interest	157	7,212	-	7,369	-
	<u>1,137,166</u>	<u>7,212</u>	<u>-</u>	<u>1,144,378</u>	<u>215,000</u>
Total tax anticipation notes	<u>\$ 1,137,166</u>	<u>\$ 7,212</u>	<u>\$ -</u>	<u>\$ 1,144,378</u>	<u>\$ 215,000</u>

The following is a schedule of the future debt service requirements to maturity for the notes:

<u>Year Ended</u>	<u>Current Interest Notes</u>			<u>Capital Appreciation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 215,000	\$ 24,713	\$ 239,713	\$ -	\$ -	\$ -
2013	235,000	20,213	255,213	-	-	-
2014	235,000	15,219	250,219	-	-	-
2015	230,000	9,413	239,413	4,288	5,712	10,000
2016	200,000	3,125	203,125	17,721	32,279	50,000
Total	<u>\$ 1,115,000</u>	<u>\$ 72,683</u>	<u>\$ 1,187,683</u>	<u>\$ 22,009</u>	<u>\$ 37,991</u>	<u>\$ 60,000</u>

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Administrative and 260 day employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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. Upon retirement, classified employees are entitled to one-third of unused sick leave for the first 120 days of unused sick leave and one-tenth of unused sick leave in excess of 120 days. Upon retirement, certified employees are entitled to one-third of unused sick leave for the first 120 days of unused sick leave and one-tenth of unused sick leave in excess of 120 days, up to a maximum of 56 days.

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Schools Council of Governments Health Benefits Program. Coverage in the amount of \$50,000 is provided for all certified and classified employees.

**NOTE 14 - RISK MANAGEMENT**

**A. Property**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the District maintained comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

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

**B. Employee Health Benefits**

The District has contracted with Stark County Schools Council of Governments (a shared risk pool) (Note 2) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays 95% of the cost of a monthly premium for certified and classified employees. For fiscal year 2011, the District's cost paid for medical and dental premiums was \$1,408.81 for family coverage and \$578.92 for single coverage, per month for enrolled employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The Directors have the right to hold monies for an exiting district subsequent to the settlement of all expenses and claims.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

The District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 15 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$252,767, \$293,802 and \$224,946, respectively; 48.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,062,689, \$1,112,085 and \$1,185,510, respectively; 83.80 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$40,295 made by the District and \$28,782 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$65,680, \$58,973 and \$154,664, respectively; 48.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$16,266, \$17,472 and \$18,560, respectively; 48.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$81,475, \$85,545 and \$91,193, respectively; 83.80 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 615,257
Net adjustment for revenue accruals	788,295
Net adjustment for expenditure accruals	(225,824)
Net adjustment for other sources/uses	(1,066)
Funds budgeted elsewhere	(3,683)
Adjustment for encumbrances	90,748
GAAP basis	<u>\$ 1,263,727</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is party to other legal proceedings seeking damages generally incidental to its operations. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**NOTE 19 - SET-ASIDES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.



**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 19 - SET-ASIDES - (Continued)**

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 422,499	\$ -
Current year set-aside requirement	327,704	327,704
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(88,818)	(91,134)
Excess qualified expenditures from prior years	-	-
Current year offsets	(860,524)	(483,188)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (199,139)</u>	<u>\$ (246,618)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. During fiscal year 2003, the District issued \$22,999,986 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$22,687,348 at June 30, 2011.

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 20 - CONTRACTUAL COMMITMENTS**

The District entered into the following contracts for the construction project:

Contractor	Contract Amount	Expended	Balance 6/30/11
INTEC Building Services	\$ 5,319,500	\$ 1,202,160	\$ 4,117,340
Enertech Electrical, Inc.	2,563,700	225,653	2,338,047
Guenther Mechanical, Inc.	3,043,870	553,806	2,490,064
S.S. Sprinkler, LTD	157,450	6,830	150,620
Cardinal Environmental Services, Inc.	119,750	24,097	95,653
C.T. Taylor Company	4,489,000	70,000	4,419,000
Wood Electric Company	2,140,400	-	2,140,400
Standard Plumbing & Heating	2,295,000	29,500	2,265,500
The Conti Corporation	626,600	53,212	573,388
RNL Fire Systems, LLC	167,850	-	167,850
Coleman Trucking, Inc.	84,000	63,229	20,771
	<u>\$ 21,007,120</u>	<u>\$ 2,228,487</u>	<u>\$ 18,778,633</u>

These contractual commitments relate to the OSFC project undertaken by the District.

**NOTE 21 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 64,978
Classroom facilities	10,002,459
Other governmental	<u>90,180</u>
Total	<u>\$ 10,157,617</u>

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	049908-3L70-2011	10.553	\$2,803		\$2,803	
National School Lunch Program	049908-3L60-2011	10.555	227,226	\$39,230	227,226	\$39,230
<b>Total U.S. Department of Agriculture</b>			<b>230,029</b>	<b>39,230</b>	<b>230,029</b>	<b>39,230</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	049908-3M20-2011	84.027	433,402		437,368	
ARRA Special Education - Grants to States	049908-3DJ0-2011	84.391	235,243		218,090	
Total Special Education Cluster			668,645		655,458	
Title I Cluster:						
Title I Grants to Local Educational Agencies	049908-3M00-2011	84.010	221,721		209,864	
ARRA Title 1 Grants to Local Educational Agencies	049908-3DK0-2011	84.389	55,599		35,915	
Total Title I Cluster			277,320		245,779	
ARRA Education Stabilization Grant	049908-GRF-2011	84.394	711,893		548,911	
Safe and Drug-Free Schools and Communities-State Grants	049908-3D10-2011	84.186	1,350		1,350	
ARRA Race to the Top	049908-3FD0-2011	84.395	8,000		7,503	
State Grants for Innovative Programs	049908-3M10-2010	84.298	0		200	
Education Technology State Grants	049908-3S20-2011	84.318	696		696	
Improving Teacher Quality State Grants	049908-3Y60-2011	84.367	84,314		78,535	
ARRA Education Jobs Fund Program	049908-3ET0-2011	84.410	337,083		279,974	
<b>Total U.S. Department of Education</b>			<b>2,089,301</b>		<b>1,818,406</b>	
<b>Totals</b>			<b>\$2,319,330</b>	<b>\$39,230</b>	<b>\$2,048,435</b>	<b>\$39,230</b>

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

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Northwest Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northwest Local School District  
Stark County  
2309 Locust Street South  
Canal Fulton, Ohio 44614

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District, Stark County, Ohio (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 February 10, 2012 wherein we noted the District restated governmental fund balances due to implementing GASB Statement 54. 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.

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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 10, 2012.

The District's response to the finding identified in our audit 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 management, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

February 10, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Northwest Local School District  
Stark County  
2309 Locust Street South  
Canal Fulton, Ohio 44614

To the Board of Education:

### Compliance

We have audited the compliance of Northwest Local School District, Stark County, Ohio (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 each of Northwest Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings 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 we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with these requirements.

In our opinion, the Northwest Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect 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 the 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, 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 10, 2012.

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



**Dave Yost**  
Auditor of State

February 10, 2012



**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	ARRA: Fiscal Stabilization Fund – CFDA #84.394  <u>Special Education Cluster:</u> Special Education - Grants to States – CFDA #84.027 ARRA: Special Education Grants to States – CFDA #84.391
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2011-01**

**Noncompliance - Ohio Rev. Code Section 5705.10**

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established.

The District's Statement of Cash Position report reflected negative fund balances in several of the District's funds during the months of September 2010 and June 2011, which included the Building Fund, Cafeteria Fund, District Managed Student Activity Fund, and Auxiliary Services Fund ranging from (\$9,307) to (\$640,754). Negative fund balances indicate money from one fund was used to cover the expenses of another fund and increases the possibility that a lack of monitoring controls exists.

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code. This will help ensure money is only used for the purposes for which each fund is established.

**Official's Response:** The Statement of Cash Position reflected negative balances in select funds during the months of September 2010 or June 2011. The monthly review of cash balances illustrated the negative balances identified. Appropriate action was delayed due to many reasons one of which pertained to the anticipated receipt of funds from the source of the revenue. Going forward the Treasurer affirms that any negative balances identified during the monthly review will have an appropriate action taken, whether by transfer, advance or delay in disbursement of funds, in order to eliminate the negative balance. All action taken, either a transfer or an advance, will be presented to the Board of Education for the proper approval. When sufficient funds are received and posted a resolution will be presented to the Board of Education at the next scheduled meeting for the return of any transfer or advance.

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

**None**

**NORTHWEST LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	<b>Ohio Rev. Code 5705.10</b> – During September 2009 and March and June 2010, the Building, Cafeteria, District Managed Student Activity and Title 11D funds had negative fund balances ranging from (\$2,274) to (\$640,754).	No	Not Corrected – See Finding 2011-001

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Northwest Local School District  
Stark County  
2309 Locust Street South  
Canal Fulton, Ohio 44614

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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.

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

**Dave Yost**  
Auditor of State

January 30, 2012

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# Dave Yost • Auditor of State

**NORTHWEST LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 8, 2012**