



Dave Yost • Auditor of State

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2B describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2B.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2B of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3B to the financial statements, during 2014, the Government has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standard*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2015 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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, 2014, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- The total net cash position of the District increased \$99,801 or 1.73% from fiscal year 2013, as restated.
- General cash receipts accounted for \$19,789,372 or 87.96% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$2,709,612 or 12.04% of total cash receipts of \$22,498,984.
- The District had \$22,399,183 in cash disbursements related to governmental activities; only \$2,709,612 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,789,372 were adequate to provide for these programs.
- The District has two major governmental funds; the general fund and debt service fund. The general fund had \$19,172,993 in cash receipts and other financing sources and \$18,122,767 in cash disbursements. During fiscal year 2014, the general fund's cash balance increased \$1,050,226 from \$3,504,075 to \$4,554,301.
- The debt service fund had cash receipts of \$1,306,910 and cash disbursements of \$1,423,208. During fiscal year 2014, the debt service fund's cash balance decreased \$116,298 from \$949,234 to \$832,936.

Using these Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The *statement of net position - cash basis* and *statement of activities - cash basis* 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 debt service 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, 2014
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position 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 2014?" The statement of net position - cash basis and the statement of activities - cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting will take into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis 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 position - cash basis and the statement of activities - cash basis include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position - cash basis and statement of activities - cash basis 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 11. 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 debt service 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and statement of changes in fiduciary net position - cash basis on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 23-48 of this report.

The District as a Whole

The statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2014 and 2013, as restated.

	Net Cash Position	
	Governmental Activities 2014	Restated Governmental Activities 2013
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 5,428,945	\$ 5,168,003
Cash with escrow agent	115,093	391,234
Restricted assets: cash in segregated accounts	<u>335,000</u>	<u>220,000</u>
Total assets	<u>5,879,038</u>	<u>5,779,237</u>
<u>Net cash position</u>		
Restricted	1,859,811	2,674,632
Unrestricted	<u>4,019,227</u>	<u>3,104,605</u>
Total net cash position	<u>\$ 5,879,038</u>	<u>\$ 5,779,237</u>

At June 30, 2014, the District's net cash position was \$5,879,038. A portion of this amount, or \$1,859,811, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,019,227 may be used to meet the District's ongoing obligations to its students and creditors.

The table on the following page shows the change net cash position for fiscal years 2014 and 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Change in Net Position

	Governmental Activities <u>2014</u>	Restated Governmental Activities <u>2013</u>
<u>Cash Receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 618,431	\$ 729,203
Operating grants and contributions	2,091,106	1,866,354
Capital grants and contributions	75	219
General cash receipts:		
Property taxes	7,695,636	7,705,949
Income taxes	2,883,933	2,378,833
Grants and entitlements	9,149,836	11,289,447
Investment earnings	2,390	7,635
Miscellaneous	<u>57,577</u>	<u>86,990</u>
Total cash receipts	<u>22,498,984</u>	<u>24,064,630</u>
<u>Cash disbursements</u>		
Program disbursements:		
Instruction:		
Regular	\$ 8,412,512	\$ 8,509,968
Special	2,884,283	2,477,262
Vocational	68,772	152,355
Other	195,742	101,107
Support services:		
Pupil	613,294	726,475
Instructional staff	124,389	113,052
Board of education	63,047	56,063
Administration	2,246,063	1,653,231
Fiscal	462,294	471,236
Operations and maintenance	2,040,384	1,895,510
Pupil transportation	1,085,574	1,186,845
Central	361,450	246,345
Food service operations	582,902	579,679
Other non-instructional services	128,935	89,131
Extracurricular activities	375,348	365,026
Facilities acquisition and construction	794,983	10,628,245
Principal retirement	1,260,000	1,256,000
Interest and fiscal charges	<u>699,211</u>	<u>730,508</u>
Total cash disbursements	<u>22,399,183</u>	<u>31,238,038</u>
Change in net cash position	99,801	(7,173,408)
Net cash position at beginning of year	<u>5,779,237</u>	<u>12,952,645</u>
Net cash position at end of year	<u>\$ 5,879,038</u>	<u>\$ 5,779,237</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Governmental Activities

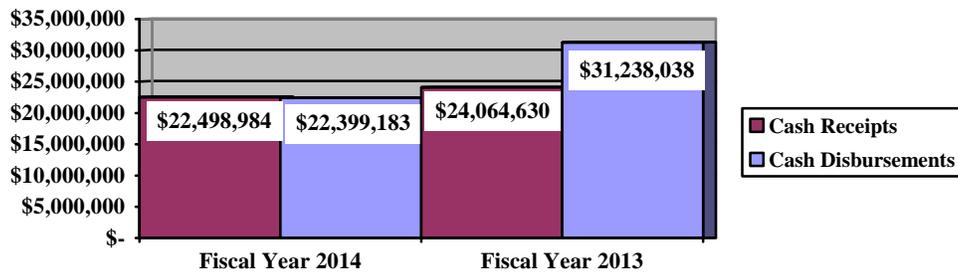
Net cash position of the District's governmental activities increased \$99,801. Total governmental cash disbursements of \$22,399,183 were offset by program cash receipts of \$2,709,612 and general cash receipts of \$19,789,372. Program cash receipts supported 12.10% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These sources represent 87.69% of total governmental cash receipts. Property taxes decreased slightly as a result of lower property values throughout the District. This decrease, however, was offset by an increase in income taxes, which represents collections on the District's 1% levy. The decrease in unrestricted grants and entitlements is a result of reimbursements from the Ohio Facilities Construction Commission in fiscal year 2013 for expenditures on the District's recent construction project. Program cash receipts increased in fiscal year 2014, despite a decrease in charges for services and sales due to decreased food services charges. The increase in operating grants and contributions is due to increases in special education funding from the State and the Title I federal grant program.

The overall decrease in cash disbursements was \$8,838,855 or 28.30%. The District's construction project is substantially complete, resulting in a decrease in disbursements to contractors in fiscal year 2014. Most of these disbursements are reported as facilities acquisition and construction disbursements. The largest expense of the District is for instructional programs. Instruction disbursements totaled \$11,561,309 or 51.61% of total governmental cash disbursements for fiscal year 2014. Instruction disbursements increased slightly due to increased costs associated with the District's special education programs.

The graph below presents the District's governmental activities cash receipts and disbursements for fiscal years 2014 and 2013.

Governmental Activities - Cash Receipts and Cash Disbursements



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 receipts and unrestricted grants and entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

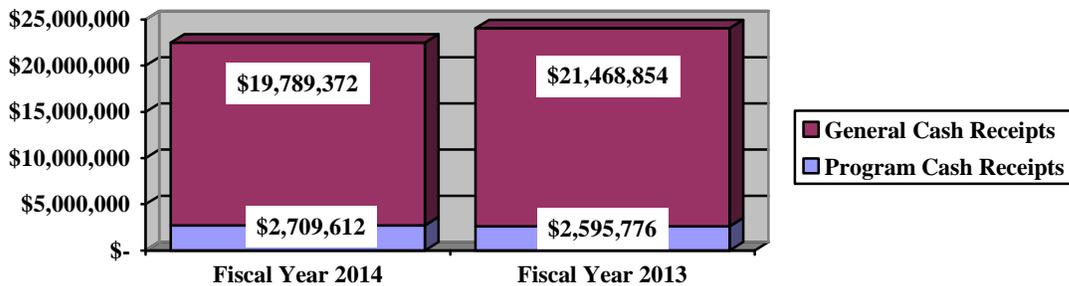
Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Restated Total Cost of Services <u>2013</u>	Restated Net Cost of Services <u>2013</u>
Program cash disbursements				
Instruction:				
Regular	\$ 8,412,512	\$ 8,292,562	\$ 8,509,968	\$ 8,251,770
Special	2,884,283	1,472,485	2,477,262	1,378,595
Vocational	68,772	51,919	152,355	106,215
Other	195,742	195,742	101,107	101,107
Support services:				
Pupil	613,294	459,755	726,475	546,155
Instructional staff	124,389	124,389	113,052	113,052
Board of education	63,047	63,047	56,063	56,063
Administration	2,246,063	2,246,063	1,653,231	1,653,002
Fiscal	462,294	462,294	471,236	471,236
Operations and maintenance	2,040,384	2,031,540	1,895,510	1,891,712
Pupil transportation	1,085,574	1,033,949	1,186,845	1,130,583
Central	361,450	261,790	246,345	180,319
Food service operations	582,902	15,531	579,679	(61,114)
Other non-instructional services	128,935	13,195	89,131	(27,833)
Extracurricular activities	375,348	211,116	365,026	236,647
Facilities acquisition and construction	794,983	794,983	10,628,245	10,628,245
Principal retirement	1,260,000	1,260,000	1,256,000	1,256,000
Interest and fiscal charges	699,211	699,211	730,508	730,508
Total	<u>\$ 22,399,183</u>	<u>\$ 19,689,571</u>	<u>\$ 31,238,038</u>	<u>\$ 28,642,262</u>

The dependence upon general cash receipts for governmental activities is apparent; with 87.90% and 91.69% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2014 and 2013, respectively.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Cash Receipts



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund cash balance of \$5,879,038, compared to last year's combined fund cash balance of \$5,779,237. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and June 30, 2013, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2014</u>	Restated Fund Cash Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 4,554,301	\$ 3,504,075	\$ 1,050,226
Debt service	832,936	949,234	(116,298)
Nonmajor governmental	<u>491,801</u>	<u>1,325,928</u>	<u>(834,127)</u>
Total	<u>\$ 5,879,038</u>	<u>\$ 5,779,237</u>	<u>\$ 99,801</u>

General Fund

The table that follows assists in illustrating the cash receipts and disbursements of the general fund.

	2014 <u>Amount</u>	Restated 2013 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Cash Receipts</u>				
Property taxes	\$ 6,261,384	\$ 6,236,659	\$ 24,725	0.40 %
Income taxes	2,883,933	2,378,833	505,100	21.23 %
Tuition	2,273	21,664	(19,391)	(89.51) %
Earnings on investments	1,692	1,870	(178)	(9.52) %
Intergovernmental	9,778,783	9,579,599	199,184	2.08 %
Other revenues	<u>244,030</u>	<u>271,342</u>	<u>(27,312)</u>	<u>(10.07) %</u>
Total	<u>\$ 19,172,095</u>	<u>\$ 18,489,967</u>	<u>\$ 682,128</u>	<u>3.69 %</u>
<u>Cash Disbursements</u>				
Instruction	\$ 10,936,948	\$ 10,595,665	\$ 341,283	3.22 %
Support services	6,633,166	6,005,840	627,326	10.45 %
Operation of non-instructional services	1,165	2,413	(1,248)	(51.72) %
Extracurricular activities	214,661	237,582	(22,921)	(9.65) %
Debt service	<u>336,827</u>	<u>341,820</u>	<u>(4,993)</u>	<u>(1.46) %</u>
Total	<u>\$ 18,122,767</u>	<u>\$ 17,183,320</u>	<u>\$ 939,447</u>	<u>5.47 %</u>

Income tax receipts continue to increase as the District increases collections on the 1% earned income tax levy. Intergovernmental revenue increased slightly due to an increase in State Foundation revenue. The primary cause of the overall increase in general fund expenditures is higher wages and benefits costs. One of the main contributing factors is a 2% contingency payment the District is obligated to pay to its employees under the current negotiated agreements. This is essentially a 2% bonus payment that the District is required to make each fiscal year that revenues exceed a certain threshold.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Debt Service Fund

The debt service fund accounts for the proceeds of a tax levy that are used for payments of principal and interest on the District's long-term obligations. The debt service fund had cash receipts of \$1,306,910 and cash disbursements of \$1,423,208. During fiscal year 2014, the debt service fund's cash balance decreased \$116,298 from \$949,234 to \$832,936.

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 estimated budgetary basis receipts and other financing sources were \$17,406,925. The actual budgetary basis receipts and other financing sources of \$19,067,425 exceeded final budget estimates by \$1,660,500. Most of this variance came from intergovernmental - state receipts, which came in higher than budgeted due to additional State Foundation funding. In addition, actual income taxes were \$505,100 higher than the final budget due to the District conservatively budgeting 2014 collections as equal to the 2013 collections.

Original budgetary basis disbursements of \$17,557,658 were increased to \$18,142,658 in the final budget. The actual budgetary basis disbursements and other financing uses of \$18,155,901 were \$13,243 higher than the final budget estimates. There were no individually significant variances between either the original and final budget or the final budget and actual amounts for disbursements.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$794,983 during fiscal year 2014.

Debt Administration

At June 30, 2014, the District had \$16,411,549 in general obligation bonds, \$1,715,000 in energy conservation notes and \$2,461,000 in lease-purchase agreements outstanding. Of the total outstanding debt, \$1,045,000 is due within one year and \$19,542,549 is due in more than one year.

The following table summarizes the District's outstanding debt.

Outstanding Debt at Year End		
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 16,411,549	\$ 17,258,072
Energy conservation notes	1,715,000	1,715,000
Lease-purchase agreement	<u>2,461,000</u>	<u>2,561,000</u>
Total	<u>\$ 20,587,549</u>	<u>\$ 21,534,072</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

See Notes 7 through 9 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Northwest Local Schools successfully adhered to its motto of "fiscally responsible" during the 2013-2014 school year. Revenue was slightly higher than anticipated; our income tax collections and final allocation from the State Foundation combined to be approximately \$650,000 higher than forecast.

A few expenditure items to note included:

- Two employee insurance premium holidays were awarded in fiscal year 2014.
- Fuel prices continue to fluctuate greatly, mostly in an upward trajectory. We have maintained our triple tier bussing program which is very effective but our cost of fuel has impacted the total savings that was projected.
- Again this year our revenue from open enrollment has declined and at the end of the year there were more students open enrolling out of Northwest than were enrolling into Northwest. Also, the community school deduction for students leaving Northwest and enrolling in community schools was approximately a \$300,000 reduction to our State Foundation funding.
- A School Resource Officer was in the District full-time and had an office at both the High School and the Middle School. We earmarked a portion of our casino receipts to cover our costs of this service.

Looking ahead to fiscal year 2015 the following items will have an impact this year:

- Fiscal year 2015 will include a textbook adoption. While the process of reviewing and evaluating the options has begun it is too early to know what the exact cost will be. An appropriation of \$225,000 has been established for this purchase.
- The state biennial budget will not negatively impact our State Foundation receipts. We will also not recognize any increase like most schools in Stark County will. For both years of the biennial budget Northwest will be receiving Transitional Aid, formerly called the Guarantee, which means we will not receive an amount less than we received in the previous fiscal year. The amount of Transitional Aid that Northwest will receive is approximately \$600,000 per year.
- During fiscal year 2015 the voters of the District will be asked to renew the 1% earned income tax. The tax was first passed by voters in May of 2010 and generates approximately \$2.4 million annually.

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 Levensood, 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 POSITION - CASH BASIS
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,428,945
Cash with escrow agent	115,093
Restricted assets:	
Cash in segregated accounts	335,000
Total assets.	5,879,038
 Net cash position:	
Restricted for:	
Capital projects	147,430
Classroom facilities maintenance	316,275
Debt service.	1,167,936
State funded programs.	53,652
Federally funded programs	39,114
Food service operations.	135,404
Unrestricted.	4,019,227
Total net cash position	\$ 5,879,038

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cash Disbursements	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 8,412,512	\$ 27,343	\$ 92,607	\$ -	\$ (8,292,562)
Special	2,884,283	39,939	1,371,859	-	(1,472,485)
Vocational	68,772	-	16,853	-	(51,919)
Other	195,742	-	-	-	(195,742)
Support services:					
Pupil	613,294	-	153,539	-	(459,755)
Instructional staff	124,389	-	-	-	(124,389)
Board of education	63,047	-	-	-	(63,047)
Administration	2,246,063	-	-	-	(2,246,063)
Fiscal	462,294	-	-	-	(462,294)
Operations and maintenance	2,040,384	8,769	-	75	(2,031,540)
Pupil transportation	1,085,574	-	51,625	-	(1,033,949)
Central	361,450	75,005	24,655	-	(261,790)
Operation of non-instructional services:					
Food service operations	582,902	308,432	258,939	-	(15,531)
Other non-instructional services	128,935	803	114,937	-	(13,195)
Extracurricular activities	375,348	158,140	6,092	-	(211,116)
Facilities acquisition and construction	794,983	-	-	-	(794,983)
Principal retirement	1,260,000	-	-	-	(1,260,000)
Interest and fiscal charges	699,211	-	-	-	(699,211)
Total governmental activities	\$ 22,399,183	\$ 618,431	\$ 2,091,106	\$ 75	(19,689,571)
General cash receipts:					
Property taxes levied for:					
General purposes					6,261,384
Debt service					1,122,311
Capital projects					172,586
Special revenue					139,355
School District income tax					2,883,933
Grants and entitlements not restricted					
to specific programs					9,149,836
Investment earnings					2,390
Miscellaneous					57,577
Total general cash receipts					19,789,372
Change in net cash position					99,801
Net cash position at beginning of year (restated)					5,779,237
Net cash position at end of year					\$ 5,879,038

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,219,301	\$ 832,936	\$ 376,708	\$ 5,428,945
Cash with escrow agent	-	-	115,093	115,093
Restricted assets:				
Cash in segregated accounts	335,000	-	-	335,000
Total assets	<u>\$ 4,554,301</u>	<u>\$ 832,936</u>	<u>\$ 491,801</u>	<u>\$ 5,879,038</u>
Fund cash balances:				
Restricted:				
Debt service	\$ 335,000	\$ 832,936	\$ -	\$ 1,167,936
Capital improvements	-	-	147,430	147,430
Classroom facilities maintenance	-	-	316,275	316,275
Food service operations	-	-	135,404	135,404
Non-public schools	-	-	53,652	53,652
Targeted academic assistance	-	-	29,025	29,025
Other purposes	-	-	10,089	10,089
Committed:				
Capital improvements	-	-	27,301	27,301
Assigned:				
Student instruction	7,139	-	-	7,139
Student and staff support	97,459	-	-	97,459
Extracurricular activities	3,408	-	-	3,408
Subsequent year's appropriations	669,061	-	-	669,061
School supplies	32	-	-	32
Unassigned (deficit)	<u>3,442,202</u>	<u>-</u>	<u>(227,375)</u>	<u>3,214,827</u>
Total fund cash balances	<u>\$ 4,554,301</u>	<u>\$ 832,936</u>	<u>\$ 491,801</u>	<u>\$ 5,879,038</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:				
From local sources:				
Property taxes	\$ 6,261,384	\$ 1,122,311	\$ 311,941	\$ 7,695,636
Income taxes	2,883,933	-	-	2,883,933
Tuition	2,273	-	-	2,273
Earnings on investments	1,692	207	527	2,426
Charges for services	-	-	308,432	308,432
Extracurricular	120,543	-	96,514	217,057
Classroom materials and fees	62,148	-	-	62,148
Other local revenues	61,339	-	25,919	87,258
Intergovernmental - intermediate	29,968	-	-	29,968
Intergovernmental - state	9,670,671	184,392	183,298	10,038,361
Intergovernmental - federal	78,144	-	1,092,450	1,170,594
Total cash receipts	<u>19,172,095</u>	<u>1,306,910</u>	<u>2,019,081</u>	<u>22,498,086</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	8,320,223	-	92,289	8,412,512
Special	2,352,211	-	532,072	2,884,283
Vocational	68,772	-	-	68,772
Other	195,742	-	-	195,742
Support services:				
Pupil	466,039	-	147,255	613,294
Instructional staff	124,389	-	-	124,389
Board of education	63,047	-	-	63,047
Administration	2,244,063	-	2,000	2,246,063
Fiscal	433,125	20,865	8,304	462,294
Operations and maintenance	1,855,479	-	184,905	2,040,384
Pupil transportation	1,085,574	-	-	1,085,574
Central	361,450	-	-	361,450
Operation of non-instructional services:				
Food service operations	-	-	582,902	582,902
Other non-instructional services	1,165	-	127,770	128,935
Extracurricular activities	214,661	-	160,687	375,348
Facilities acquisition and construction	-	-	794,983	794,983
Debt service:				
Principal retirement	235,000	925,000	100,000	1,260,000
Interest and fiscal charges	101,827	477,343	120,041	699,211
Total cash disbursements	<u>18,122,767</u>	<u>1,423,208</u>	<u>2,853,208</u>	<u>22,399,183</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,049,328</u>	<u>(116,298)</u>	<u>(834,127)</u>	<u>98,903</u>
Other financing sources:				
Proceeds from sale of assets	898	-	-	898
Total other financing sources	<u>898</u>	<u>-</u>	<u>-</u>	<u>898</u>
Net change in fund cash balances	1,050,226	(116,298)	(834,127)	99,801
Fund cash balances				
at beginning of year (restated)	3,504,075	949,234	1,325,928	5,779,237
Fund cash balances at end of year	<u>\$ 4,554,301</u>	<u>\$ 832,936</u>	<u>\$ 491,801</u>	<u>\$ 5,879,038</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 6,200,051	\$ 6,200,051	\$ 6,261,384	\$ 61,333
Income taxes	2,378,833	2,378,833	2,883,933	505,100
Tuition	120,000	120,000	2,273	(117,727)
Earnings on investments	1,500	1,500	1,692	192
Extracurricular	2,000	2,000	41,874	39,874
Classroom materials and fees	117,500	117,500	62,148	(55,352)
Other local revenues	19,500	19,500	34,362	14,862
Intergovernmental - intermediate	15,766	15,766	29,968	14,202
Intergovernmental - state	8,551,775	8,551,775	9,670,671	1,118,896
Intergovernmental - federal	-	-	78,144	78,144
Total budgetary basis receipts	<u>17,406,925</u>	<u>17,406,925</u>	<u>19,066,449</u>	<u>1,659,524</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	8,056,237	8,324,662	8,323,290	1,372
Special	2,286,706	2,362,896	2,352,211	10,685
Vocational	67,307	69,550	68,772	778
Other	196,648	203,200	195,742	7,458
Support services:				
Pupil	452,426	467,500	466,087	1,413
Instructional staff	124,683	128,837	124,389	4,448
Board of education	63,872	66,000	63,047	2,953
Administration	2,177,227	2,249,770	2,245,093	4,677
Fiscal	422,689	436,772	433,125	3,647
Operations and maintenance	1,807,698	1,867,928	1,865,415	2,513
Pupil transportation	1,056,257	1,091,450	1,085,687	5,763
Central	258,817	267,440	263,147	4,293
Extracurricular activities	225,393	232,903	218,069	14,834
Debt service:				
Principal	338,714	350,000	350,000	-
Interest and fiscal charges	22,984	23,750	101,827	(78,077)
Total budgetary basis disbursements	<u>17,557,658</u>	<u>18,142,658</u>	<u>18,155,901</u>	<u>(13,243)</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(150,733)</u>	<u>(735,733)</u>	<u>910,548</u>	<u>1,646,281</u>
Other financing sources:				
Refund of prior year's expenditures	-	-	78	78
Proceeds from sale of assets	-	-	898	898
Total other financing sources	<u>-</u>	<u>-</u>	<u>976</u>	<u>976</u>
Net change in fund cash balance	(150,733)	(735,733)	911,524	1,647,257
Fund cash balance at beginning of year . . .	3,162,570	3,162,570	3,162,570	-
Prior year encumbrances appropriated . . .	37,169	37,169	37,169	-
Fund cash balance at end of year	<u>\$ 3,049,006</u>	<u>\$ 2,464,006</u>	<u>\$ 4,111,263</u>	<u>\$ 1,647,257</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 505	\$ 79,879
Total assets.	505	\$ 79,879
Liabilities:		
Due to students.	-	\$ 79,879
Total liabilities	-	\$ 79,879
Net cash position:		
Held in trust for scholarships.	505	
Total net cash position	\$ 505	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Net cash position at beginning of year	\$ 505
Net cash position at end of year.	<u>\$ 505</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 employs 80 noncertified and 144 certified employees to provide services to approximately 2,010 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

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2014

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, and amounted to \$127,614 during fiscal year 2014. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

Stark County Area Vocational School District (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. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38th Street NW, Canton, Ohio, 44709.

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
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

C. 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. 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.

Debt service fund - The debt service fund is used to account for the accumulation of resources for payment of general obligation bond and note principal, interest and related costs.

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, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash 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's only trust fund is a private-purpose trust which accounts for donated monies restricted to provide college scholarship assistance to District graduates. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Basis of Presentation

The government-wide Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 2014, investments were limited to investments in nonnegotiable certificates of deposit 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 2014. 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, 2014.

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 2014 amounted to \$1,692, which includes \$276 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. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

J. Fund Cash Balance

Fund cash 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.

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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. The District did not have any assets restricted by enabling legislation at June 30, 2014.

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

L. 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.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. See Notes 8.A. and 4.C. for further detail on restricted assets related to energy conservation note sinking fund deposits maintained by the District.

N. 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 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Change in Basis of Accounting and Restatement of Prior Year Fund Balances and Net Position

Ohio Administrative Code, Section 117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year ending June 30, 2014, the District changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.B), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District has elected to present the cash-basis financial statements in a format consistent with GASB Statement No. 34. Fund balances and net position at June 30, 2013 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on fund balances at June 30, 2013:

	Governmental Funds			
	General	Debt Service	Other Governmental	Total Governmental
Fund balance at June 30, 2013	\$ 1,633,185	\$ 979,005	\$ 590,328	\$ 3,202,518
Restatement due to change in reporting basis adjustments	1,870,890	(29,771)	735,600	2,576,719
Restated fund cash balance at June 30, 2013	\$ 3,504,075	\$ 949,234	\$ 1,325,928	\$ 5,779,237

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on net position at June 30, 2013:

	Governmental Activities
Net position at June 30, 2013	\$ 33,373,380
Restatement due to change in reporting basis adjustments	(27,594,143)
Restated net cash position at June 30, 2013	\$ 5,779,237

C. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Other grants	\$ 3,221
District managed student activity	45,956
Education jobs	683
Title VI-B	23,737
Building	153,778

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The general fund is liable for any deficits in these funds and provides transfers when cash is required. The other grants fund, district managed student activity fund, education jobs fund and building capital projects fund did not comply with State law which does not allow for a negative cash balance at year end.

D. Compliance

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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;
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;

**NORTHWEST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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".

B. Cash with Escrow Agent

The District has money held in accounts by other agents for retainage related to construction contracts. The money held by the escrow 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 escrow agent at June 30, 2014 was \$115,093 and is not included in "deposits with financial institutions" below.

C. Cash in Segregated Accounts

At fiscal year end, \$335,000 was on deposit with an escrow agent for required sinking fund deposits relating to the District's energy conservation notes. These funds are not included in "deposits with financial institutions" below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$3,460,452. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$3,136,667 of the District’s bank balance of \$3,640,831 was exposed to custodial risk as discussed below, while \$504,164 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.

E. Investments

As of June 30, 2014, 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>2,043,377</u>	\$ <u>2,043,377</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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>2,043,377</u>	<u>100.00</u>

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

F. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,460,452
Investments	2,043,377
Cash with escrow agent	115,093
Cash in segregated accounts	335,000
Cash on hand	5,500
Total	\$ 5,959,422
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,879,038
Private-purpose trust fund	505
Agency fund	79,879
Total	\$ 5,959,422

NOTE 5 - 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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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 Counties by June 30, 2014 are available to finance fiscal year 2014 operations. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 226,809,360	95.81	\$ 227,402,590	95.39
Public utility personal	<u>9,911,120</u>	<u>4.19</u>	<u>10,995,210</u>	<u>4.61</u>
Total	<u>\$ 236,720,480</u>	<u>100.00</u>	<u>\$ 238,397,800</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$49.20		\$49.10	
Permanent improvements	1.50		1.50	
Debt service	5.40		5.40	

NOTE 6 - INCOME TAX

Effective January 1, 2011, the District levies a voted tax of 1% for general obligations on the earned 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 receipts are credited to the general fund and totaled \$2,883,933 for fiscal year 2014.

NOTE 7 - 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. Principal and interest and fiscal charges payments in fiscal year 2014 totaled \$100,000 and \$120,041, respectively, paid by the permanent improvement fund (a non-major governmental fund).

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - LEASE-PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

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, 2014.

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 220,120
2016	219,958
2017	220,531
2018	220,815
2019	219,836
2020 - 2024	1,098,139
2025 - 2029	993,398
2030 - 2032	<u>343,983</u>
Total	3,536,780
Less: amount representing interest	<u>(1,075,780)</u>
Present value of minimum lease payments	<u>\$ 2,461,000</u>

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>6/30/14</u>	Amount Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Series 2010, Refunding					
Current Interest Bonds	\$ 2,810,000	\$ -	\$ (40,000)	\$ 2,770,000	\$ 40,000
Capital Appreciation Bonds	78,682	-	-	78,682	-
Accreted Interest	51,888	27,403	-	79,291	-
Series 2011, Refunding					
Current Interest Bonds	8,780,000	-	(860,000)	7,920,000	875,000
Capital Appreciation Bonds	83,849	-	-	83,849	-
Accreted Interest	53,186	47,700	-	100,886	-
Series 2012, Refunding					
Current Interest Bonds	5,390,000	-	(25,000)	5,365,000	25,000
Capital Appreciation Bonds	7,093	-	-	7,093	-
Accreted Interest	3,374	3,374	-	6,748	-
Total general obligation bonds	<u>17,258,072</u>	<u>78,477</u>	<u>(925,000)</u>	<u>16,411,549</u>	<u>940,000</u>
<u>Other obligations:</u>					
Energy conservation note	1,715,000	-	-	1,715,000	-
Lease-purchase obligations	2,561,000	-	(100,000)	2,461,000	105,000
Total other obligations	<u>4,276,000</u>	<u>-</u>	<u>(100,000)</u>	<u>4,176,000</u>	<u>105,000</u>
Total all governmental activities long-term liabilities	<u>\$ 21,534,072</u>	<u>\$ 78,477</u>	<u>\$ (1,025,000)</u>	<u>\$ 20,587,549</u>	<u>\$ 1,045,000</u>

The lease-purchase obligations will be paid from the permanent improvement fund. See Note 7 for more detail.

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 5.4 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). At June 30, 2014, \$3,015,000 of this debt was outstanding.

The refunding bond 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.

**NORTHWEST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

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.

Series 2011 Refunding General Obligation Bonds

On October 12, 2011, 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 5.4 mil bonded debt tax levy.

The issuance proceeds of \$9,757,917 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). At June 30, 2014, \$8,445,000 of this debt was outstanding.

This issue is comprised of current interest bonds, par value \$9,085,000 and capital appreciation bonds, par value \$83,849. The capital appreciation bonds mature December 1, 2019, (stated interest 32.25%) 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 \$955,000.

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, 2025.

Series 2012 Refunding General Obligation Bonds

On January 12, 2012, 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 5.4 mil bonded debt tax levy.

The issuance proceeds of \$5,709,668 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). At June 30, 2014, \$5,455,000 of this debt was outstanding.

This issue is comprised of current interest bonds, par value \$5,445,000 and capital appreciation bonds, par value \$7,093. The capital appreciation bonds mature December 1, 2026, (stated interest 30.00%) 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 \$455,000.

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.

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 notes bear an interest rate of 5.05%, with interest payable each June 1 and December 1. Payments are made from the general fund. The notes mature on December 1, 2025.

The District is required to make mandatory sinking fund deposits on each December 1, through 2025, in the amount of \$115,000.

**NORTHWEST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30	<u>Amount</u>
2015	\$ 115,000
2016	115,000
2017	115,000
2018	115,000
2019	115,000
2020	115,000
2021	115,000
2022	115,000
2023	115,000
2024	115,000
2025	115,000
2026	<u>115,000</u>
Total	<u>\$ 1,380,000</u>

The District receives a reimbursement from the United States Treasury equal to 100% of the lesser of the interest payments on the energy conservation notes or the federal tax credits that would have otherwise been available to the holders of the energy conservation notes. The District records this reimbursement as federal intergovernmental revenue in the general fund.

- B.** Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	General Obligation Current Interest Bonds			General Obligation Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 940,000	\$ 463,031	\$ 1,403,031	\$ -	\$ -	\$ -
2016	950,000	448,656	1,398,656	-	-	-
2017	965,000	431,903	1,396,903	-	-	-
2018	985,000	412,463	1,397,463	-	-	-
2019	1,000,000	391,426	1,391,426	-	-	-
2020 - 2024	3,835,000	1,658,445	5,493,445	162,531	1,337,469	1,500,000
2025 - 2029	5,950,000	766,051	6,716,051	7,093	447,907	455,000
2030	<u>1,430,000</u>	<u>25,025</u>	<u>1,455,025</u>	-	-	-
Total	<u>\$ 16,055,000</u>	<u>\$ 4,597,000</u>	<u>\$ 20,652,000</u>	<u>\$ 169,624</u>	<u>\$ 1,785,376</u>	<u>\$ 1,955,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30	Energy Conservation Notes		
	Principal	Interest	Total
2015	\$ -	\$ 86,608	\$ 86,608
2016	-	86,608	86,608
2017	-	86,608	86,608
2018	-	86,608	86,608
2019	-	86,608	86,608
2020 - 2024	-	433,040	433,040
2025 - 2026	1,715,000	129,912	1,844,912
Total	\$ 1,715,000	\$ 995,992	\$ 2,710,992

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, 2014, are a voted debt margin of \$6,064,114 (including available funds of \$832,936) and an unvoted debt margin of \$238,398.

NOTE 9 - 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.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - NOTES PAYABLE - (Continued)

The following is a schedule of activity for fiscal year 2014 on the income tax anticipation notes:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Amounts Due in One Year
Tax anticipation notes - series 2010:					
Current interest notes	\$ 665,000	\$ -	\$ (235,000)	\$ 430,000	\$ 230,000
Capital appreciation notes	22,009	-	-	22,009	4,288
Accreted interest	21,811	7,211	-	29,022	5,170
Total tax anticipation notes	<u>\$ 708,820</u>	<u>\$ 7,211</u>	<u>\$ (235,000)</u>	<u>\$ 481,031</u>	<u>\$ 239,458</u>

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

Year Ended	Current Interest Notes			Capital Appreciation Notes		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 430,000</u>	<u>\$ 12,538</u>	<u>\$ 442,538</u>	<u>\$ 22,009</u>	<u>\$ 37,991</u>	<u>\$ 60,000</u>

NOTE 10 - 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 thirty 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - 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 2014, 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 2014, the District's cost paid for medical and dental premiums was \$1,541.97 for family coverage and \$633.65 for single coverage.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - 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, under "*Employers/Audit Resources*".

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$381,845, \$311,721 and \$323,576, respectively; 85.49 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - PENSION PLANS - (Continued)

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$1,035,025, \$1,062,172 and \$1,094,555, respectively; 83.57 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$43,982, \$39,210 and \$46,932, respectively; 85.49 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$22,153, \$17,609 and \$19,109, respectively; 85.49 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 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 2014, 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, 2014, 2013 and 2012 were \$79,617, \$81,706 and \$84,197, respectively; 83.57 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and change in fund balance - budget and actual - budgetary basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

- (a) 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 a disbursement, as opposed to assigned or committed fund balance (cash basis);
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis); and,
- (c) Required sinking fund deposits of the principal on the District's energy conservation notes are recorded as disbursements (budget basis), as opposed to restricted cash in segregated accounts (cash basis).

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 911,524
Net adjustment for disbursements	115,000
Funds budgeted elsewhere	(8,473)
Adjustment for encumbrances	32,175
Cash basis	<u>\$ 1,050,226</u>

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

NOTE 15 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - CONTINGENCIES - (Continued)

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 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	338,939
Current year offsets	<u>(396,918)</u>
Total	<u>\$ (57,979)</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

During fiscal year 2003, the District issued \$22,999,986 in capital related school improvement bonds. These proceeds may be used to offset the required capital improvements set-aside amount for future years. 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, 2014.

NOTE 17 - 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>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 38,659
Classroom facilities	167,514
Nonmajor governmental	<u>86,515</u>
Total	<u><u>\$ 292,688</u></u>

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	049908-3L70-2014	10.553	\$21,739		\$21,739	
National School Lunch Program	049908-3L60-2014	10.555	<u>231,883</u>	<u>\$61,067</u>	<u>231,883</u>	<u>\$61,067</u>
Total U.S. Department of Agriculture			<u>253,622</u>	<u>61,067</u>	<u>253,622</u>	<u>61,067</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	049908-3M20-2013	84.027	13,459		1,946	
Special Education - Grants to States	049908-3M20-2014	84.027	<u>324,307</u>		<u>321,997</u>	
Total Special Education Cluster			<u>337,766</u>		<u>323,943</u>	
Title I Cluster:						
Title I Grants to Local Educational Agencies	049908-3M00-2013	84.010	51,042		86,502	
Title I Grants to Local Educational Agencies	049908-3M00-2014	84.010	<u>365,552</u>		<u>296,076</u>	
Total Title I Cluster			<u>416,594</u>		<u>382,578</u>	
ARRA Race to the Top	049908-3FD0-2012	84.395	18,239		23,306	
Improving Teacher Quality State Grants	049908-3Y60-2013	84.367	13,173		8,508	
Improving Teacher Quality State Grants	049908-3Y60-2014	84.367	<u>53,055</u>		<u>52,282</u>	
Total Improving Teacher Quality			<u>66,228</u>		<u>60,790</u>	
Total U.S. Department of Education			<u>838,827</u>		<u>790,617</u>	
Totals			<u>\$1,092,449</u>	<u>\$61,067</u>	<u>\$1,044,239</u>	<u>\$61,067</u>

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

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District, Stark County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon February 16, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District changed from generally accepted accounting principles basis of accounting to the cash basis of accounting.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

Report on Compliance for the Major Federal Program

We have audited the Northwest Local School District's, Stark County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Northwest Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2015

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report to the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code §117.38. Furthermore, the public office shall give public notice that the financial report is available for public inspection. Ohio Admin. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

FINDING NUMBER 2014-001 (Continued)

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2014. The accompanying financial statements and notes omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position/fund balance, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures may help ensure accurate and timely financial statements are available to the District's community.

Official's Response: The Northwest Local Board of Education has reviewed the standards for financial reporting and has deemed the generally accepted accounting principles to be too costly. The Board of Education, at the request of the Treasurer, has agreed to report the annual financial results on a cash-basis of accounting. The District's financial statements will be prepared in a format that substantially conforms to the reporting model prescribed by Governmental Accounting Standards Board Statement No. 34 or "GAAP look-a-like" financial statements. We understand that there may be a fine for this non-compliance but believe that the cost savings to the District is definitely justified.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 5705.10(I) indicates that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. However, Ohio Rev. Code Section 3315.20 provides an allowable exception for school districts. Effective March 30, 2007, a school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [R.C. § 3315.20(A)]
- There is a reasonable likelihood that the payment will be made [R.C. § 3315.20(A)]
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [R.C. § 3315.20(B)]

At September 30, 2013 negative fund cash balances were noted for which the above conditions were not satisfied in the Building fund of (\$170,754) and in the Food Service fund of (\$175,874). At November 30, 2013 negative fund cash balances were noted for which the above conditions were not satisfied in the Building fund of (\$170,754), Other Grant fund (\$3,229), and the Student Activity fund of (\$44,260). In addition, at June 30, 2014 the District had negative fund cash balances for which the above conditions were not satisfied in the Building fund of (\$170,754), the District Managed Student Activity fund of (\$45,956), and the Other Grants fund of (\$3,221).

The District should monitor fund balances throughout the year to help avoid negative fund balances. If a deficit spending situation arises, the District should ensure they meet the three above conditions or make the appropriate transfers/advances from the General Fund to help eliminate the negative fund cash balances.

FINDING NUMBER 2014-002 (Continued)

Official's Response: The Statement of Cash Position Report reflects negative fund balances. The District will monitor this report and make necessary advances. For the Building fund account the District anticipates eliminating this negative balance through a transfer from the Permanent Improvement Fund once funds become available. The District made this commitment previously but a reduction in property valuations has delayed this action.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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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 10, 2015**