Northwestern Local School District Clark County, Ohio

Basic Financial Statements

June 30, 2012

with Independent Auditors' Report





Board of Education Northwestern Local School District 5610 Troy Road Springfield, Ohio 45502

We have reviewed the Independent Auditors' Report of the Northwestern Local School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 to June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost Auditor of State

February 7, 2013



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Independent Auditors' Report

Board of Education Northwestern Local School District 5610 Troy Road Springfield, Ohio 45502

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwestern Local School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

2525 north limestone street, ste. 103 springfield, oh 45503

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation the financial statements as a whole.

Springfield, Ohio

December 19, 2012

Llank, Schufer, Hackett & Co.

The discussion and analysis of Northwestern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

Net assets, excluding amounts invested in capital assets net related of debt, were \$19.32 million. Of this amount, \$14.90 million is restricted for the School District's capital outlay use.

General revenues accounted for \$17.02 million in revenue or 83.85 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3.28 million or 16.15 percent of total revenue of \$20.30 million.

Assets increased by \$3.70 million including increases in restricted assets of \$9.00 million, capital assets by 6.90 million as the current assets (mainly intergovernmental receivables) dropped by \$12.20 million.

The School District had \$18.99 million in expenses related to governmental activities; only \$3.28 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$17.02 million were adequate to provide for net expenses of these programs.

The General Fund had \$15.76 million in revenues and \$15.02 million in expenditures. The General Fund's balance at the close of the current year was 19.70 percent of the current year's expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the General Fund, Debt Service Fund and Classroom Facilities Fund which are considered major funds. Data from the other sixteen governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 - 17 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the 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. The notes to the financial statements start on page 19 of this report.

Government-Wide Financial Analysis

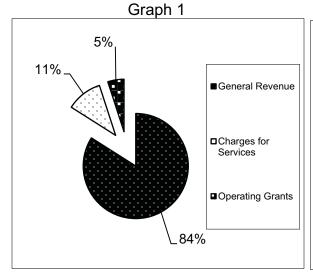
Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2011 to 2012.

Table 1 Net Assets (in Millions)

	2011	2012	Change
Assets Current and Other Assets	\$33.61	\$21.41	(\$12.20)
Restricted Cash	30.05	39.05	9.00
Capital Assets	8.13	15.03	6.90
Total Assets	71.79	75.49	3.70

	2011	2012	Change
Liabilities			
Long-term Liabilities	(\$31.20)	(\$30.69)	\$0.51
Current and Other Liabilities	(7.50)	(10.40)	(2.90)
Total Liabilities	(38.70)	(41.09)	(2.39)
Net Assets			
Invested in Capital Assets	7.76	15.08	7.32
Restricted for:			
Perpetual Care	0.01	0.01	0.00
Debt Service	0.78	1.21	0.43
Grants	0.66	0.29	(0.37)
Capital Improvements	20.66	14.90	(5.76)
Unrestricted	3.22	2.91	(0.31)
Total Net Assets	\$33.09	\$34.40	\$1.31

Graphs 1 and 2 break down the School District's Fiscal Year 2012 revenue into percentages by type of revenue.



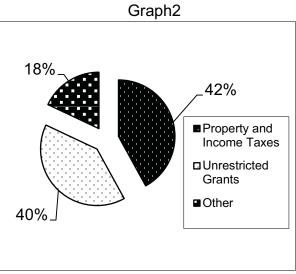


Table 2 shows the revenue for the School District as a whole during fiscal years 2011 and 2012.

Table 2 Revenues (in Millions)

	2011	2012	Change
Revenues Program Revenues			
Charges for Services	\$2.18	\$2.18	\$0.00
Operating Grants/Contributions	2.07	1.10	(0.97)
Capital Grants/Contributions	1.00	0.00	(1.00)
General Revenues			
Property Taxes	6.55	6.62	0.07
Income Taxes	1.63	1.89	0.26
Unrestricted Grants	6.89	8.30	1.41
School Facilities Commission Grant	23.11	0.00	(23.11)
Investment Earnings	0.09	0.11	0.02
Other	0.05	0.10	0.05
Total Revenues	\$43.57	\$20.30	(\$23.27)

Table 3 shows total program expenses for fiscal years 2011 and 2012.

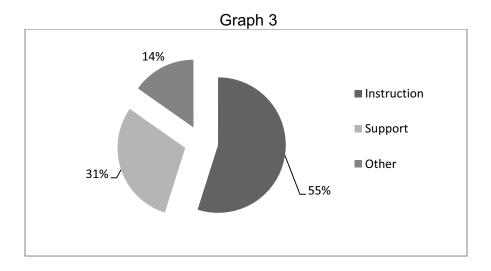
Table 3
Total Program Expenses
(in millions)

	2011	2012	Change
Program Expenses			
Instruction			
Regular	\$8.23	\$8.20	(\$0.03)
Special	2.17	2.21	0.04
Other	0.01	0.01	0.00

Northwestern Local School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012 Unaudited

Support Services	2011	2012	Change
Pupil/Staff	\$1.43	\$1.42	(\$0.01)
Administration	1.73	1.19	(0.54)
Other Expenses			
Maintenance	1.36	1.34	(0.02)
Transportation	1.15	1.10	(0.05)
Other	0.13	0.62	0.49
Food Services/Latchkey	0.63	0.68	0.05
Extracurricular Activities	0.44	0.45	0.01
Interest and Fiscal Charges	1.49	1.77	0.28
Total Expenses	18.77	18.99	0.22
Change in Net Assets	24.80	1.31	(23.49)
Beginning Balance	8.29	33.09	24.80
Ending Balance	\$33.09	\$34.40	\$1.31

Graph 3 shows a breakdown of Fiscal Year 2012 expenses by percentages in the major categories.



The largest change in revenues relates to the elimination of the Ohio School Facilities revenue. The expenses were pretty consistent with those from last year.

The Major Funds

The School District's presentation of the major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. All governmental funds had total revenues of \$33.68 million and expenditures of \$26.41 million. The net change in fund balance for the year was an increase of \$7.27 million in all funds. The net change was most significant in the Classroom Facilities Fund with an increase of \$6.14 million.

The General Fund recognized \$1.75 million in current liabilities for fiscal year 2012. Accrued salaries and benefits accounted for 70.51% of those liabilities. Property Taxes Receivable accounted for 86.31% of the \$6.51 million receivables in the General Fund.

In the Classroom Facilities Fund, restricted cash and cash equivalents accounted \$38.47 million of the \$44.57 million in assets.

General Fund Budgetary

Table 4 depicts the change from the original to the final General Fund revenue budget for the fiscal year ended June 30, 2012.

Table 4
Original Budget versus Final Budget for General Fund Revenues

	Budget	
	Original	Final
Revenues		
Property and Other Local Taxes	\$5,091,183	\$5,326,567
Income Tax	1,786,331	1,868,920
Intergovernmental	6,645,394	6,952,635
Other	1,422,433	1,488,197
Total Revenues	\$14,945,341	\$15,636,319

The original and final budgets are found on the Statement of Revenues, Expenditures, and Changes in Fund Balance statement. There are variances around five percent in the two respective tax line items as the collections in better than expected the School District increased the final budget.

The actual revenues were 4.06 percent lower than final budget figures. The main difference is the property tax advance received at year end that is not budgeted for the current fiscal year.

Table 5 depicts the change from the original to the final general fund expenditures budget for the fiscal year ended June 30, 2012.

Table 5
Original Budget versus Final Budget for General Fund Expenditures

	Budget		
	Original Final		
Expenditures			
Instruction	\$9,534,921	\$9,314,607	
Support Services	5,557,003	5,428,604	
Other	355,864	347,642	
Total Expenditures	\$15,447,788	\$15,090,853	

The original and final budgets are found on the Statement of Revenues, Expenditures, and Changes in Fund Balance statement. The main difference in the actual expenditures to the final budget was in regular instruction as the School District saw a slightly less operational activity than originally planned. The actual expenditures were about 1.82 percent under the final budget figure.

Capital Assets

At the end of the year, the School District had \$15,031,109 invested in land, buildings, equipment, and vehicles net of accumulated depreciation. For more detail information about the capital assets, refer to Note 9. Table 6 shows the breakdown of the individual classes for capital assets:

Table 6
Capital Assets

Class	Historical Cost	Accumulated Depreciation	Book Value
Land and Improvements	\$949,676	\$0	\$949,676
Construction in Progress Buildings and	9,817,723	0	9,817,723
Improvements	10,969,985	7,369,360	3,600,625
Furniture and Equipment	1,871,650	1,731,705	139,945
Vehicles	1,773,238	1,250,098	523,140
Totals	\$25,382,272	\$10,351,163	\$15,031,109

Debt Administration

The School District has a capital lease for \$245,839 (principal and interest) for an addition to Northwestern Elementary. Eight additional classrooms and a gymnasium were added to the school. The lease was originated in 1998, and will be completely paid in December, 2013. For further information on the School District's obligation refer to Note 14 of the financial statements.

On May 26, 2010, the School District sold Qualified School Construction Bonds in the amount of \$15,000,000. The entire principal is due December 1, 2026. The bonds were sold a taxable rate of 5.82%. The United States Treasury will issue checks to the School District to pay 5.50% interest. The net interest cost to the district will be 0.32%.

On November 23, 2010, the School District sold Build America Bonds in the amount of \$13,240,000. The final principal payment is due December 1, 2038. The bonds were sold at an average net interest rate of 4.21%. The United States Treasury will issue checks to the School District to pay 35% of interest costs.

On March 31, 2011, the School District sold Qualified School Construction Bonds for a HB 264 Energy Conservation Project in the amount of \$1,385,000. The entire principal is due December 1, 2025. The bonds were sold at a taxable rate of 5.80%. The United States Treasury will issue checks to the School District to pay 5.30% interest. The net interest cost to the district will be 0.50%.

For further information on the School District's long-term obligations see Note 15 of the financial statements.

For the Future

State funding is a major issue for the School District. A new state funding formula is being discussed. The formula is still being developed and has not been proposed, but it could be effective July 1, 2013. It is unknown how this may affect the School District.

In November, 2009, the voters of the School District approved a new 1% continuing earned income tax. This is additional revenue that started with small collections in April, 2010. In August, 2010, the voters approved a new substitute levy that will replace the expiring emergency levies. Although this is not additional revenue, it does keep the current funding from these levies. The substitute levy must be renewed by November, 2016.

The construction of new school buildings to replace the current buildings was planned to be begin in July, 2011. Because of market conditions, the constructions bids were over budget at the June, 2011 bid opening. The Junior/Senior High School is scheduled to open in September, 2013. The Elementary School is scheduled to open in January, 2014.

In conclusion, the Northwestern Local School District has committed itself to financial excellence for many years. Before the November, 2009 levy, the last increase in local tax millage was approved in 1992. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. Current economic conditions present possible major challenges. Budget cuts have been made over the last couple years and more cuts may be made in the future as the revenue decreases. The School District will be entering into union contract negotiations in the spring of 2013. The outcome of the negotiations will have a major impact on future expenditures. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Bollheimer, Office of the Treasurer, Northwestern Local Schools, 5610 Troy Road, Springfield, OH 45502.

Northwestern Local School District Clark County, Ohio Statement of Net Assets June 30, 2012

	Primary Government
	Governmental
Assets	Activities
Equity in Pooled Cash and Cash Equivalents	¢6 066 706
Receivables:	\$6,966,706
Property and Other Taxes	7 102 272
Income Taxes	7,103,272 879,752
Accounts	10,111
Accrued Interest	14,965
Intergovernmental	6,098,721
Materials and Supplies Inventory	43,162
Prepaid Items	2,863
Deferred Charges	288,537
Restricted Cash and Cash Equivalents	38,512,160
Restricted Investments with Trustee	540,914
Non-Depreciable Capital Assets	10,767,399
Depreciable Capital Assets	4,263,710
Total Assets	75,492,272
101417100010	15,492,212
<u>Liabilities</u>	
Payables:	
Accounts	26,974
Contracts	2,756,447
Intergovernmental	437,849
Interest	47,071
Salaries and Employee Benefits	1,316,795
Claims	4,004
Unearned Revenue	5,812,870
Noncurrent Liabilities:	0,0.2,070
Due within one year	595,496
Due in more than one year	30,091,371
Total Liabilities	41,088,877
	,000,017
Net Assets	
Invested in capital assets,	
net of related debt	15,085,748
Restricted for:	,,.
Debt Service	1,210,125
Perpetual Care	5,357
Grants	288,952
Capital Improvements	14,904,823
Unrestricted	2,908,390
Total Net Assets	\$34,403,395

See accompanying notes to the basic financial statements

Northwestern Local School District Clark County, Ohio Statement of Activities For the Fiscal Year Ended June 30, 2012

		Program F	Revenues	Net (Expense) Revenue and Changes in Net Assets
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:	8			
Regular	\$8,202,705	\$1,620,431	\$68,409	(\$6,513,865)
Special	2,213,328	0	509,938	(1,703,390)
Other	7,062	0	0	(7,062)
Support Services:				
Pupils	651,166	33,251	46,138	(571,777)
Instructional Staff	773,608	0	131,937	(641,671)
Board of Education	66,054	0	0	(66,054)
Administration	1,192,481	0	0	(1,192,481)
Fiscal	488,862	0	0	(488,862)
Operation and Maintenance of Plant	1,340,356	1,819	0	(1,338,537)
Pupil Transportation	1,103,053	0	0	(1,103,053)
Central	57,101	0	0	(57,101)
Food Service	640,644	342,739	345,733	47,828
Latchkey	38,914	54,189	0	15,275
Operation of Non-Instructional Services	402	0	0	(402)
Extracurricular Activities	445,397	125,257	. 0	(320,140)
Interest and Fiscal Charges	1,770,452	0	0	(1,770,452)
Total Primary Government	\$18,991,585	\$2,177,686	\$1,102,155	(15,711,744)
General Rev				
	xes - General Purpo	oses		5,231,141
그 그 그 그 그 그 그 그 그 그 그 그 그 그 그 그 그 그 그	xes - Debt Service			1,210,030
	xes - Capital			178,382
Income Tax				1,887,213
	Contributions not re		programs	8,296,475
	d investment earning	gs		114,472
Miscellaneo				108,187
	eral Revenues			17,025,900
	s in Net Assets			1,314,156
Net Assets-B				33,089,239
Net Assets-E	nding			\$34,403,395

See accompanying notes to the basic financial statements

Northwestern Local School District Clark County, Ohio Balance Sheet - Governmental Funds June 30, 2012

		\$43,339,760	2	15,031,109	288,537	860'868'9	(30,649,109)	\$34,403,395						
	Reconciliation of Total Governmental Fund Balances to Net asset of Governmental Activities	Total Governmental Fund Balances	Amounts reported for governmental activities in the statement of net assets are different because:	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Deferred charges are amortized over the useful life of the related	debt but are reported as expenditures in the funds.	Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	Net Assets of Governmental Activities		¥7.				
Total Governmental Funds	\$6,966,706	7,103,272	879,752 14,965 6,098,721 2,863	43,162 38,512,160 540,914	\$60,172,626		\$26,974 2,756,447	437,849	84,829 4,004 12,205,968	16,832,866	46,025 40,310,049 110,797	37,880	43,339,760	\$60,172,626
Other Governmental Funds	\$3,217,140	191,247 686	544 115,763	5,390 0 93,633	\$3,624,403		\$707	36,624 85,366	193,900	457,312	5,390 3,058,355 110,797	(7,451)	3,167,091	\$3,624,403
Classroom Facilities	\$100,450	000	12,232 5,982,277	38,472,842 0	\$44,567,801		\$1,143	00	0 0 5,891,358	8,508,233	0 36,059,568	0 0	36,059,568	\$44,567,801
Debt Service	\$451,418	1,290,184	0000	447.281	\$2,188,883		\$250	00	0 0 1,035,825	1,036,075	1,152,808	00	1,152,808	\$2,188,883
General	\$3,197,698	5,621,841	879,752 2,189 681 2,863	37,772 39,318 0	\$9,791,539		\$24,874	401,225	84,829 4,004 5,084,885	6,831,246	40,635 39,318	37,880	2,960,293	\$9,791,539
	Assets Equity in Pooled Cash and Cash Equivalents Receivables:	Property and Other Taxes Accounts	Income Taxes Accrued Interest Intergovernmental Prepaid Items	Materials and Supplies Inventory Restricted Assets: Cash and Cash Equivalents Investments with Trustee	Total Assets	Liabilities and Fund Balances Liabilities Pavables:	Accounts	Due to Local Governments Salaries and Employee Benefits	Matured Leave Payable Claims Payable Deferred Revenue	Total Liabilities	Fund Balances: Nonspendable Restricted Committed	Assigned Unassigned	Total Fund Balances	Total Liabilities and Fund Balances

See accompanying notes to the basic financial statements

Northwestern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds
For the Fiscal Year Ended June 30, 2012

7,271,054 36,068,706 \$43,339,760
1,082,965 2,084,126 \$3,167,091
6,138,661 29,920,907 \$36,059,568
422,866 729,942 \$1,152,808
(373,438) 3,333,731 \$2,960,293
Net Change in Fund Balances Fund Balances - beginning Fund Balances - ending
D. C.

See accompanying notes to the basic financial statements

Northwestern Local School District

Clark County, Ohio Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund

For the Fiscal Year Ended June 30, 2012

		General I	Fund	
				Variance with Final Budget
	Budgeted A	mounts		Positive
	Original	Final	Actual	(Negative)
Revenues:		71		
Property and Other Local Taxes	\$5,091,183	\$5,326,567	\$4,665,665	(\$660,902)
Intergovernmental	6,645,394	6,952,635	6,972,146	19,511
Income Taxes	1,786,331	1,868,920	1,868,919	(1
Tuition and Fees	1,369,360	1,432,671	1,438,651	5,980
Interest	14,337	15,000	17,756	2,756
Charges for Services	31,782	33,251	33,251	0
Rent	956	1,000	1,829	829
Miscellaneous	5,998	6,275	3,345	(2,930
Total Revenues	14,945,341	15,636,319	15,001,562	(634,757
Expenditures:				
Current:				
Instruction:				
Regular	7,751,307	7,572,205	7,399,512	172,693
Specia!	1,771,566	1,730,632	1,715,626	15,006
Student Intervention Services	12,048	11,770	4,913	6,857
Support Services:	12,010	1,11,1,4	1,010	0,100
Pupils	585,705	572,172	550,896	21,276
Instructional Staff	677,054	661,410	642,504	18,906
Board of Education	87,096	85,084	65,843	19,241
Administration	1,226,664	1,198,321	1,190,405	7,916
Fiscal	464,069	453,346	459,835	(6,489
Operation and Maintenance of Plant	1,294,644	1,264,730	1,267,249	(2,519
Pupil Transportation	1,144,607	1,118,160	1,117,117	1,043
Central	77,164	75,381	56,480	18,901
Extracurricular Activities	323,722	316,243	315,052	1,191
Capital Outlay	32,142	31,399	31,399	1,131
1000 T 010 000 000 000 T 000 000 000 000	02,142	01,000	01,000	
Total Expenditures	15,447,788	15,090,853	14,816,831	274,022
Excess of Revenues Over	State and Total Control			
(Under) Expenditures	(502,447)	545,466	184,731	(360,735
Other Financing Sources (Uses):		21		1800 <u>0</u> 22-104
Proceeds from Sale of Capital Assets	0	0	1,275	1,275
Refund of Prior Year Expenditures	25,000	25,000	38,080	13,080
Insurance Recoveries	5,000	5,000	15,850	10,850
Advances Out	(10,000)	(10,000)	0	10,000
Transfers Out	(120,721)	(1,120,721)	(1,110,721)	10,000
Total Other Financing Sources (Uses)	(100,721)	(1,100,721)	(1,055,516)	45,205
Net Change in Fund Balance	(603,168)	(555,255)	(870,785)	(315,530
Fund Balances at Beginning of Year	3,194,522	3,194,522	3,194,522	
Prior Year Encumbrances Appropriated	113,984	113,984	113,984	0
Fund Balance at End of Year	\$2,705,338	\$2,753,251	\$2,437,721	(\$315,530

Northwestern Local School District Clark County, Ohio Statement of Fiduciary Assets and Liabilities Fiduciary Funds June 30, 2012

Assets	Agency
Equity in Pooled Cash and Cash Equivalents	\$87,009
<u>Liabilities</u> Due to Students	87,009
Total Liabilities	\$87,009

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Clark County It is staffed by 73 non-certificated employees, 116 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,824 students and other community members.

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

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

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association Southwestern Ohio Educational Purchasing Council Southwestern Ohio Instructional Technology Association Clark County Family and Children First Council

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program Revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial* resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt expenditures for the capital lease and other long-term debt obligations, as well as compensated absences, are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the School District.

Fund Accounting

The School 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. The District employs the use of two categories of funds: governmental and fiduciary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

The School District reports the following major governmental funds:

The *General Fund* is the School's District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

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

The Classroom Facilities Fund is provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the constructing and equipping of the School District's new school buildings.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The District maintains only one fiduciary fund, an agency fund known as the Student Activities Fund. The fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and reported on the accrual basis of accounting; however, it does not have a measurement focus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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 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 Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was 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.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clark County Budget Commission for rate determination.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to yearend, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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 legally enacted by the Board of Education. The Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was at the object level for the General Fund and at the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Some revisions that alter the total of any fund appropriation, or alter total object appropriations within the General Fund 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the year, several supplemental appropriations were legally enacted; however, none of them were significant. The budget figures that appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

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.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet.

The School District reports the balance of notes and bond proceeds as "restricted cash and cash equivalents" and sinking fund mandatory principal payment as "restricted investments with trustee" on the Statement of Net Assets and the Governmental Fund Balance Sheet.

During fiscal year, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio), US Treasury Bills and Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Discount Notes, Federal Farm Credit Notes, First America Treasury Market Fund, and Fifth Third Institutional Money Market Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 share price that is the price the investment could be sold for on June 30.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year amounted to \$20,849 which includes \$18,655 assigned from other funds. The debt service fund, food service special revenue fund, LFI construction, and classroom facilities capital projects fund received \$17,632, \$41, \$6,721, and \$69,227 respectively, interest. The permanent fund received \$2 interest.

E. Inventory

Inventories of all funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure when consumed. Reported material and supplies inventory is reported as a nonspendable fund balance on the governmental fund balance sheet which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The related fund balance is reported as nonspendable in the respective fund.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not have any infrastructure.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of ten years, with building improvements being depreciated over twenty years and buildings over fifty years. Improvements to fund capital assets are depreciated over the remaining useful lives of the related assets.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The entire liability is reported on the government-wide statement of net assets.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and other long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences are reported as liabilities in the fund financial statements only to the extent they will not be paid with current expendable available financial resources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller fund and as expenditures in the purchase funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

K. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property and income taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

L. Exchange/Non-Exchange Transactions

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

M. Restricted Assets

Restricted assets in the General Fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance. In the Classroom Facilities Fund, restricted assets represent unspent debt proceeds and related earnings to be used for the Ohio School Facilities project and the year end balance in the mandatory sinking fund related to the payments made as part of the trustee indenture. Similar payments related to the Energy Conservation Bonds are also reported as restricted assets in the debt service fund.

N. Fund Balance

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

- -Nonspendable fund balance relates to the value of consumable inventories and prepaids.
- -Restricted fund balances related to resources that have external purpose restraints imposed on them by providers such as grantors.
- -Committed fund balances are balances the School District Board has determined can be used only for specific purposes through formal resolution.
- -Assigned fund balances are balances intended to be used for specific purposes through the School District's formal purchasing procedure by the Treasurer.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

-Unassigned fund balance is the residual classification for the general fund or deficit fund balance in all other governmental funds.

When the School District has multiple fund balances available within a particular fund, the School District will spend the funds in the following order – committed, assigned then unassigned. Nonspendable and restricted balance are subject to the governing documents and not subject to School District policy for spending the balances.

The District applies restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

O. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances (less unspent bonds proceeds of \$29,897,150) of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

P. Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheets includes a reconciliation between *fund* balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$30,649,109) difference are as follows:

Bonds Payable	(\$29,225,000)
Premium on Bonds	(382,511)
Accrued Interest	(47,071)
Capital Lease Payable	(235,000)
Compensated Absences	(759,527)
Net Adjustment to reduces fund balance – total governmental	
funds to arrive at net assets – governmental activities	
	(\$30,649,109)

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund." The details of the \$15,031,109 difference are as follows:

Capital Assets	\$25,382,272
Accumulated Depreciation	(10,351,163)
Net Adjustment to increase fund balance - total	
governmental funds to arrive at net assets -	
governmental activities	\$15,031,109

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The reconciliation states that "Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense." The details of this \$6,905,326 are as follows:

Current Capital Additions	\$7,323,125
Net loss on disposals	(3,000)
Depreciation Expense	(414,799)
Net Adjustment – capital assets to increase fund balance – total	_
governmental funds to arrive at net assets - governmental	
activities	\$6,905,326

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

At June 30, 2012, the IDEA VI-B, Early Childhood Education, and Title IIA special revenue funds have deficit fund balances of \$950, \$41, and \$6,454 respectively.

The General Fund is liable for any deficit in the IDEA VI-B, Early Childhood Education, and Title IIA special revenue funds and provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (non-GAAP Basis) and Actual – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

- 2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restricted, committed or assigned fund balance.
- 4. The net revenues and expenditures recorded on a GAAP basis from funds reclassified under GASB 54 are reported independent from revenues and expenditures reported only in the General Fund.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Net Change in Fund Balances - General Fund

	General
GAAP Basis:	(\$373,438)
Revenue Accruals	(509,914)
Expenditure Accruals	50,018
Encumbrances	(32,810)
GASB 54 net effect	(4,641)
Budget Basis	(\$870,785)

NOTE 5- DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, but not limited to, time certificates of deposit maturing not more than one year from the date of deposit, or must evidence interim deposits by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

State statute permits interim monies to 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 security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and student loan marketing association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4. Bonds and other obligations of the State of Ohio;

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

- 5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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); and
- 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

A. Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$14,341,515 and the bank balance was \$14,938,654. \$1,300,952 was insured by federal depository insurance. Based on criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$13,637,702 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2012, the School District had the following investments.

		Investment Maturities (in Years)		′ears)	of
	Fair Value	Less than 1	1-5	Over 5	Credit Risk
STAROhio	\$158,313	\$158,313	\$0	\$0	0.50%
Federal National Mortgage					
Notes	2,057,788	1,516,242	541,546	0	6.48%
Federal Farm Credit					
Corporation Notes*	1,878,391	1,350,365	0	528,026	5.91%
Federal Home Loan Bank					
Bonds	16,629,890	11,169,806	5,460,084	0	52.35%
Federal Home Loan Mortgage					
Corporation Notes	7,675,531	7,675,531	0	0	24.16%
First American Government					
Money Market Fund	19,975	19,975	0	0	0.06%
Fifth Third Institution					
Government Money Market					
Funds	243,104	243,104	0	0	0.77%
U.S. Treasury Billls	1,504,970	1,504,970	0	0	
U.S. Treasury Notes	1,597,312	0	1,597,312	0	5.03%
Totals	\$31,765,274	\$23,638,306	\$7,598,942	\$528,026	

^{*} The School District has their sinking fund payments invested to match the debt payment, which currently is 13.32 years from maturity.

Interest Rate Risk - The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk - The Federal Home Loan Bank Notes carry a rating of Aaa/AAA and P-1/A-1. The US Treasury Bills carry a rating of Aaa/AAA and P-1/A-1. Federal National Mortgage Association Notes and Federal Home Mortgage Corporation Notes carry a rating of P-1/A-1. The First American Treasury Market fund carries a Aaa from Moodys. STAR Ohio carries a AAA rating from Standard and Poor's. The Fifth Third Government Money Market carries a AAA rating. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer.

Cash and cash equivalents and investments are pooled for balance sheet classification on the basic financial statements because the pool consists of deposits, short-term investments or long-term investments that can be converted to liquid assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2012 for real and public utility property taxes represents collections of calendar 2011 taxes.

NOTE 6 - PROPERTY TAXES (continued)

2012 real property taxes are levied after April 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2011 public utility property taxes became a lien December 31, 2011, are levied after April 1, 2012, and are collected in 2012 with real property taxes.

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.

The School District receives property taxes from Clark and Champaign Counties. The Clark and Champaign County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2012, and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30, were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2012 was \$954,821 and is recognized as revenue. \$680,038 was available to the general fund, \$254,359 was available to the bond retirement fund, and \$20,424 was available to the permanent improvement capital projects fund.

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 Firs Half Collecti	
	Amount Percent		Amount	Percent
Agricultural/Residential and Other Real Estate	\$205,316,680	97.20%	\$203,934,460	97.05%
Public Utility Personal	5,905,510	2.80	6,206,500	2.85
Total Assessed Value	\$211,222,190	100.00%	\$210,140,960	100.00%
Tax rate per \$1,000 of Assessed valuation	\$33.45		\$33.45	

NOTE 7 – INCOME TAX

The School District levies an income tax of one percent on substantially all income earned by School District residents.

Employers with employees based in the state of Ohio are required to withhold income tax on employee compensation and remit the tax to the Ohio Department of Taxation either monthly or quarterly. Individuals may make estimated payments.

Income tax proceeds are to be used to pay General Fund operations of the School District. The proceeds are allocated to the General Fund. Income tax revenue for fiscal year 2012 was \$1,858,640.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, income taxes, accounts (student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due.

NOTE 8 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables:	Amount
General Fund	
Medicaid Refund	\$681
Classroom Facilities Fund	
Ohio School Facilities Commission	5,982,277
Nonmajor Governmental Funds	
Food Service	38,962
Title VI-B	15,841
Title I	59,331
Title IIA	1,629
Total	\$6,098,721

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance			Balance
	7/01/11	Increases	Decreases	6/30/12
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$949,676	\$0	\$0	\$949,676
Construction in Process	2,648,092	7,169,631	0	9,817,723
Capital Assets, being depreciated				
Buildings and Improvements	10,969,985	0	0	10,969,985
Furniture and Equipment	1,852,292	29,358	(10,000)	1,871,650
Vehicles	1,649,102	124,136	0	1,773,238
Total at Historical Cost	18,069,147	7,323,125	(10,000)	25,382,272
Total Accumulated Depreciation	(9,943,364)	(414,799)	7,000	(10,351,163)
Governmental Activities	(=,= 10,00 .)	(111),100/	.,000	(12,221,100)
Capital Assets, Net	\$8,125,783	\$6,908,326	(\$3,000)	\$15,031,109

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$187,860
Special	514
Support Services:	
Pupils	526
Instructional Staff	2,587
Board of Education	306
Administration	1,342
Fiscal	432
Operation and Maintenance of Plant	112,568
Pupil Transportation	91,561
Central	634
Food Service	3,004
Extracurricular Activities	13,465
Total Depreciation Expense	\$414,799

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Gallagher Insurance for property, general liability, professional and fleet insurance. Coverage provided by Gallagher is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	-\$350,000,000 Blanket Limit -Refer to Statement of Value for specific limits
Boiler and Machinery (\$3,500 deductible) Automobile Liability (no deductible)	100,000,000
Professional Liability (\$5,000 deductible)	1,000,000
Single Occurrence	1,000,000
Aggregate	1,000,000
General Liability (no deductible)	
Per occurrence	1,000,000
Total per year (per member)	3,000,000
Excess Liability/Umbrella (no deductible)	
Per occurrence	5,000,000
Total per year (per member)	5,000,000
Pollution Legal Liability (\$25,000 deductible)	
Per Occurrence	1,000,000
Total Aggregate Limit	10,000,000

NOTE 10 - RISK MANAGEMENT (continued)

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

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience, and a common premium rate is applied to all school 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 Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability 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 SERS at www.ohsers.org under Employers/Audit Resources.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$322,101, \$245,250, and \$327,143, respectively; 51.21 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$917,548, \$882,244, and \$919,652 respectively; 84.01 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$10,029 made by the School District and \$7,163 made by the plan members.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, four members of the Board of Education have elected Social Security. The School District's liability is 6.2% of wages paid.

NOTE 12- POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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 SERS at www.ohsers.org under Employers/Audit Resources.

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 401h. For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

NOTE 12- POSTEMPLOYMENT BENEFITS (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$43,600, \$60,349, and \$11,775, respectively; 51.21 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2012, 2011, and 2010 was \$19,022, \$15,782, and \$19,455, 51.21 percent has been contributed for fiscal year 2012 with 100% for fiscal year 2011 and 2010.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$70,581, \$67,865, and \$70,742, respectively; 84.01 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for classified and 255 days for certified personnel. Upon retirement, payment is made for 25 percent for teachers and 25 percent for other employees of accrued, but unused sick leave credit to a maximum of 55 days for certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem. Medical/surgical benefits are provided through Anthem, dental insurance through Core Source, and vision insurances through Vision Service Plan.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into a capitalized lease for an addition to the Elementary School.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reported as function expenditures on a budgetary basis.

Capital assets have been capitalized on the statement of net assets in the amount \$1,510,000 and a corresponding liability was recorded. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2012 totaled \$130,000.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

<u>Fiscal Year Ending June 30,</u>	Capital Lease
2013	\$148,393
2014	97,446
Total	245,839
Less: Amount Representing Interest	(10,839)
Present Value of Net Minimum Lease Payments	\$235,000

The annual debt service requirements to maturity for the capital lease payments are as follows:

_	Governmental Activities			
Fiscal Year Ending June 30,	Principal	Interest	Total	
2013	\$140,000	\$8,393	\$148,393	
2014	95,000	2,446	97,446	
Total	\$235,000	\$10,839	\$245,839	

NOTE 15 - LONG-TERM LIABILITIES

The changes in the School District's long-term obligations (non-current liabilities) during fiscal year 2012 were as follows:

Governmental Activities	Amount Outstanding 6/30/2011	Additions	Deductions	Amount Outstanding 6/30/2012	Amounts Due in One Year
Qualified School Const Bonds	\$16,385,000	\$0	\$0	\$16,385,000	\$0
Build American Bonds	13,240,000	0	400,000	12,840,000	300,000
Premium on Bonds	401,068	0	18,557	382,511	0
Capital Leases	365,000	0	130,000	235,000	140,000
Compensated Absences	805,338	476,140	437,122	844,356	155,496
Total	\$31,196,406	\$476,140	\$985,679	\$30,686,867	\$595,496

NOTE 15 - LONG-TERM LIABILITIES (continued)

Capital leases will be paid from the Permanent Improvement Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$20,065,494 with an unvoted debt margin of \$210,141 and an energy conservation debt margin of \$1,891,269 at June 30, 2012.

In November, 2009, voters in the School District approved the issuance of bond for the construction of two new school buildings to replace the three buildings currently in use.

On May 26, 2010, the School District sold Qualified School Construction Bonds in the amount of \$15,000,000. The entire principal is due December 1, 2026. The bonds were sold at a taxable rate of 5.82%. The United States Treasury will issue checks to the school district to pay 5.50% interest. The net interest cost to the district will be 0.32%. The amortization schedule with net interest and the sinking fund payment is as follows:

Qualified School Construction Bonds - Building

Fiscal Year			
Ending June 30,	Principal*	Interest	Total
2013	\$0	\$48,000	\$48,000
2014	0	48,000	48,000
2015	0	48,000	48,000
2016	0	48,000	48,000
2017	0	48,000	48,000
2018-2022	0	240,000	240,000
2023-2027	15,000,000	240,000	15,240,000
Totals	\$15,000,000	\$720,000	\$15,720,000

^{*}The School District is making mandatory sinking fund payments that are kept with the trustee to make the December 1, 2026 principal payment.

On November 23, 2010, the School District sold Build America Bonds in the amount of \$13,240,000. The final principal payment is due December 1, 2038. The bonds were sold at an average net interest rate of 4.21%. The United States Treasury will issue checks to the School District to pay 35% of interest costs. The amortization schedule with net interest and the principal fund payment is as follows:

NOTE 15 - LONG-TERM LIABILITIES (continued)

	Build America Bonds		
Fiscal Year			
Ending June 30,	Principal	Interest	Total
2013	\$300,000	\$509,933	\$809,933
2014	300,000	507,496	807,496
2015	250,000	504,571	754,571
2016	250,000	501,321	751,321
2017	250,000	497,502	747,502
2018-2022	995,000	2,392,447	3,387,447
2023-2027	510,000	2,231,182	2,741,182
2028-2032	3,400,000	1,920,815	5,320,815
2033-2037	4,555,000	1,084,566	5,639,566
2038-2039	2,030,000	134,733	2,164,733
Totals	\$12,840,000	\$10,284,566	\$23,124,566

On March 31, 2011, the School District sold Qualified School Construction Bonds for a HB 264 Energy Conservation Project in the amount of \$1,385,000. The entire principal is due December 1, 2025. The bonds were sold at a taxable rate of 5.80%. The United States Treasury will issue checks to the School District to pay 5.30% interest. The net interest cost to the School District will be 0.50%. The amortization schedule with net interest and the sinking fund payment is as follows:

	Qualified School Construction Bonds – HB 264			
Fiscal Year				
Ending June 30,	Principal*	Interest	Total	
2013	\$0	\$6,925	\$6,925	
2014	0	6,925	6,925	
2015	0	6,925	6,925	
2016	0	6,925	6,925	
2017	0	6,925	6,925	
2018-2022	0	34,625	34,625	
2023-2026	1,385,000	27,700	1,412,700	
Totals	\$1,385,000	\$96,950	\$1,481,950	

^{*}The School District is making mandatory sinking fund payments that are kept with the trustee to make the December 1, 2025 principal payment.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia, and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of three Superintendents and three Treasurers of member school districts, with three of the four Superintendents and all three Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fourth Superintendent is from the Greene County Career Center. The School District paid MVECA \$48,859 for services provided during the year.

Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During the fiscal year, the School District paid its medical, dental and vision insurances through the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Vandalia, Ohio 45373.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (continued)

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. The qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. One at-large non-public representative is elected by the non-public school SOITA members as the state-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within state-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year, the School District made no payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council – The Clark County Family and Children First Council (the Council) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Northwestern Local School District does not pay any dues since the Clark County Educational Service Center represents the District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 1345 Lagonda Avenue, Springfield, Ohio 45502.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (continued)

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - CONTINGENCIES

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization to the extent of Workers' Compensation refunds.

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside Cash Balance as of June 30, 2011	(\$684,972)	\$39,318
Current Year Set-aside Requirement	304,123	0
Current Year Offsets	(1,642,249)	0
Qualifying Disbursements	(99,001)	0
Totals	(2,122,099)	\$39,318
Balance Carried Forward to Fiscal Year 2013	(\$1,338,126)	0
Restricted Cash as of June 30, 2012	\$0	\$39,318

During fiscal year 2012, the School District utilized the tax receipts recorded in the Debt Service and Permanent Improvement funds as an offset to the capital spending requirement. These tax receipts are used to repay the debt issued to finance school construction projects, and may be carried forward to offset future year's capital acquisition set-aside requirement.

NOTE 19 - CONTRACTUAL COMMITMENTS

The School District had major outstanding contracts related to school construction. The following estimated amounts remain on these contracts as of June 30:

Monarch Construction Co.	General Construction	\$18,312,713
Milcon Concrete Inc.	Roadway improvements	308,950
Ohio Edison Company	Install electric	230,793
Rieck Services	HVAC	2,446,733
SHP	Architectural Services	1,256,205
Bowser Morner, Inc	Construction Testing	201,782
Johnson Controls, Inc.	HVAC Controls/Pumps	697,200
Industrial Communication Sound	Security System	385,000
GTS Piping	Geothermal	1,208,825
Feldkamp Enterprises, Inc.	HVAC/Plumbing	3,725,941
Evans Landscaping	Site work, Demolition, paving	4,092,222
Chapel Electric Co. LLC	Electrical work	4,057,808
Central Fire Protection	Fire Suppression	602,267
C & T Equipment	Kitchen Equipment	785,100

NOTE 20 - FUND BALANCE ALLOCATION

The School District has chosen to present to the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

		Debt	Classroom	Non-Major
Fund Balances:	General	Service	Facilities	Funds
Nonspendable:				
Inventory	\$37,772	\$0	\$0	\$5,390
Prepaids	2,863	0	0	0
Restricted for:				
Debt Service	0	1,152,808	0	0
Capital Improvements	0	0	36,059,568	2,889,528
Endowments	0	0	0	5,357
Food Service	0	0	0	93,970
District Activities	0	0	0	68,587
Grants	0	0	0	913
Statutory Reserves	39,318	0	0	0
Committed for:				
Latchkey Programs	0	0	0	110,797
Assigned to:				
Public School Support	4,140			
Encumbrances	33,740	0	0	0
Unassigned	2,842,460	0	0	(7,451)
Total Fund Balances	\$2,960,293	\$1,152,808	\$36,059,568	\$3,167,091

NOTE 21 – INTERFUND TRANSACTIONS

The General fund transferred \$1,110,721 to finance various programs accounted for in other funds in accordance with budgetary authorization.

Northwestern Local School District Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA <u>Number</u>	Award <u>Receipts</u>	Award <u>Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
National School Lunch Program	10.555	327,125	327,125
Total U.S. Department of Agriculture		327,125	327,125
			
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grant	84.010	305,070	332,667
Special Education Cluster:			
IDEA B	84.027	326,202	342,180
IDEA B - ARRA	84.391	40.404	5,949
IDEA Preschool	84.173	10,491	10,491
Total Special Education Cluster		336,693	358,620
Title II-D - Technology	84.318	1,972	1,927
School Improvement	84.388	_	191
	0000		
Improving Teacher Quality	84.367	53,543	61,210
p. coming reasons. Quanty	000.	33,313	0.,=.0
Safe and Drug Free Schools	84.186	2,008	-
Ed Jobs	84.410	365,245	365,245
State Fiscal Stabilization Fund - ARRA	84.394		40,259
Total Passed Through Ohio Department of Education		1,064,531	1,160,119
Total U.S. Department of Education		1,064,531	1,160,119
TOTAL FEDERAL AWARD EXPENDITURES		\$ 1,391,656	\$ 1,487,244

See accompanying notes to the Schedule of Expenditures of Federal Awards

Northwestern Local School District Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – U.S. DEPARTMENT OF ARGICULTURE PROGRAMS

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

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.



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

Board of Education Northwestern Local School District 5610 Troy Road Springfield, Ohio 45502

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwestern Local School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as finding 2012-001 that we considered to be a significant deficiency in internal control over financial reporting. 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.

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Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated December 19, 2012.

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

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

Springfield, Ohio December 19, 2012

Clark, Schufer, Hackett & Co.



Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Education Northwestern Local School District 5610 Troy Road Springfield, Ohio 45502

Compliance

We have audited the compliance of the Northwestern Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 2012-002 and 2012-003.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as finding 2012-002 and 2012-003. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe that a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Springfield, Ohio December 19, 2012

Lank, Schufer, Hackett & Co.

Northwestern Local School District Schedule of Findings and Questioned Costs Fiscal Year Ended June 30, 2012

Yes

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? None noted

 Significant deficiency(ies) identified not considered to be material weakness(es)?

Noncompliance material to financial statements noted?

None noted

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

None noted

 Significant deficiency(ies) identified not considered to be material weakness(es)?

Yes

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance

with 510(a) of Circular A-133?

Identification of major programs:

National School Lunch - CFDA 10.555

Title I - CFDA 81.010

Education Jobs - CFDA 84.410

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?

Section II - Financial Statement Findings

Finding 2012-001: Audit Adjustments

Auditing standards generally accepted in the United States of America require that certain audit adjustments should be communicated with those charged with governance. During the current audit, adjustments to intergovernmental receivables and contracts payables were discovered and subsequently posted by the District to ensure the financial statements presented are accurate and complete.

Since the District contracts with an independent accountant to assist in the preparation of the annual financial statements, we recommend the District discuss the adjustments noted during the audit with him to ensure future audit adjustments are minimized.

Management Response:

Once informed of the adjustments noted during the audit, the District promptly corrected the issues and will ensure the situations are addressed for future reporting periods.

Section III - Federal Awards Findings and Questioned Costs

Finding 2012-002: Noncompliance – Title I CFDA No. 84.010

Criteria: OMB Circular A-87 requires employees who work solely on a single cost objective (grant) must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. In addition, employees who work in part on a single cost objective and in part on activities funded from other revenue sources must maintain time and effort distribution records.

Condition: The District did not obtain semi-annual certifications for the second half of fiscal year 2012 from employees who were engaged solely in activities that support the Title I program.

Cause: The District corrected the lack of certifications for prior years but did not obtain the certifications for the second half of fiscal year 2012.

Effect: Failure to comply with OMB Circular A-87 could result in the loss of funding or other actions by the awarding agency.

Recommendation: The District should implement procedures to ensure compliance with the time and effort and semi-annual certification requirements.

Management Response:

The program noncompliance is handled outside of the Treasurer's office. The District has implemented procedures to correct the control deficiency noted above.

Finding 2012-003: Noncompliance - Title I CFDA No. 84.010

Criteria: 34 CFR Section 200.36, Title I Regulations, requires school districts participating in a school-wide program to implement programs, activities and procedures for the involvement of parents in Title I programs.

Condition: The District did not provide evidence that parents were notified at the beginning of fiscal year 2012 of the District's involvement in a Title I school-wide program.

Cause: Fiscal year 2012 was the first year the current grant administrator was responsible for the program requirements.

Effect: Failure to comply with 34 CFR Section 200.36 could result in the loss of funding or other actions by the awarding agency.

Recommendation: The District should implement procedures to ensure compliance with the time and effort and semi-annual certification requirements.

Management Response:

The program noncompliance is handled outside of the Treasurer's office. The District has implemented procedures to correct the control deficiency noted above.

Northwestern Local School District Schedule of Prior Audit Findings Fiscal Year Ended June 30, 2012

Finding 2011-001: Internal Controls over Financial Reporting

Audit adjustments were required to properly report intergovernmental receivables, deferred revenue and intergovernmental revenue.

Status: Repeated, see Finding 2012-001

Finding 2011-002: Cash Management, State Fiscal Stabilization - ARRA CFDA 84.394.

The District maintained a cash balance in the grant program which indicated the funds were not spent in a timely basis.

Status: Corrected

Finding 2011-003: 1512 Reporting, State Fiscal Stabilization – ARRA CFDA 84.394

The District did not properly report to ODE two quarters that paid for salary and benefits that should have been counted as FTEs.

Status: Corrected

Finding 2011-004: Semi-annual Certification Requirements, Title I and Title I ARRA – CFDA 84.010 and 84.389

The District did not have records supporting the time and effort of employees not engaged solely on a single cost objective and did not obtain semi-annual certifications from employees who were solely engaged in activities that support the programs.

Status: Repeated, see Finding 2012-002

Finding 2011-005: Eligibility Determinations, Title I and Title I ARRA – CFDA 84.010 and 84.389 The District did not have documentation supporting two students' eligibility to participate in the targeted assistance afterschool program.

Status: Partially Corrected, see management letter comment





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NORTHWESTERN LOCAL SCHOOL DISTRICT CLARK 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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED FEBRUARY 19, 2013