

NORTHWESTERN LOCAL SCHOOL DISTRICT

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Northwestern Local School District
7571 North Elyria Road
West Salem, Ohio 44287

We have reviewed the *Report of Independent Accountants* of the Northwestern Local School District, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 20, 2009

This Page is Intentionally Left Blank.

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Audit Report
For the year ended June 30, 2009

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended June 30, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Funds -For the Year Ended June 30, 2009	4
Notes to the Financial Statements	5-18
Schedule of Federal Awards Expenditures	19
Notes to the Schedule of Federal Awards Expenditures	20
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	21-22
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB <i>Circular A-133</i>	23-24
Schedule of Findings and Questioned Costs	25-26
Schedule of Prior Audit Findings	27
Independent Accountant's Report on Applying Agreed-Upon Procedures	28-29

REPORT OF INDEPENDENT ACCOUNTANTS

Northwestern Local School District
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Education:

We have audited the accompanying financial statements of the Northwestern Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statements do not present fairly, the financial position, results of operations, and cash flows, where applicable, of the Northwestern Local School District as of and for the year ended June 30, 2009 in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have issued our report dated September 28, 2009, on our consideration of Northwestern Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or compliance. That report is the integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2009, or the changes in financial position or its cash flows for the year then ended. Therefore, we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Charles E. Harris & Associates, Inc.
September 28, 2009

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2009

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
CASH RECEIPTS:					
Taxes	\$ 3,966,388	\$ 45,130	\$ 653,788	\$ 190,885	\$ 4,856,191
Intergovernmental	7,045,710	771,926	110,921	32,704	7,961,261
Investment Income	24,803	6,527	-	22,996	54,326
Tuition and Fees	556,149	-	-	-	556,149
Extracurricular Activities	-	263,870	-	-	263,870
Classroom Materials & Fees	41,268	-	-	-	41,268
Miscellaneous	17,606	13,734	-	6,737	38,077
Total Cash Receipts	11,651,924	1,101,187	764,709	253,322	13,771,142
CASH DISBURSEMENTS:					
Instruction:					
Regular	5,636,645	85,306	-	-	5,721,951
Special	799,476	582,799	-	-	1,382,275
Vocational	637,158	-	-	-	637,158
Other	362,541	-	-	-	362,541
Support Services:					
Pupils	360,413	117,997	-	-	478,410
Instructional Staff	649,728	13,371	-	-	663,099
Board of Education	53,589	4,159	-	-	57,748
Administration	862,479	40,848	-	-	903,327
Fiscal	276,580	13,860	13,047	3,883	307,370
Operation of Maintenance and Plant	1,149,455	190,085	-	-	1,339,540
Pupil Transportation	810,295	-	-	-	810,295
Central	30,875	9,345	-	-	40,220
Operation of Non-Instructional Services	1,200	-	-	-	1,200
Extracurricular Activities	287,860	168,474	-	-	456,334
Capital Outlay	-	-	-	305,377	305,377
Debt Service:					
Retirement of Principal	-	-	405,000	-	405,000
Interest and Fiscal Charges	-	-	347,702	-	347,702
Total Cash Disbursements	11,918,294	1,226,244	765,749	309,260	14,219,547
Cash Receipts Over/(Under) Cash Disbursements	(266,370)	(125,057)	(1,040)	(55,938)	(448,405)
Other Financing Sources (Uses)					
Transfers In	-	386,788	-	-	386,788
Transfers Out	(45,000)	-	-	(341,788)	(386,788)
Total Other Financing Sources (Uses)	(45,000)	386,788	-	(341,788)	-
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(311,370)	261,731	(1,040)	(397,726)	(448,405)
Fund Cash Balance, July 1, 2008	1,643,604	317,018	1,683,033	618,671	4,262,326
Fund Cash Balance, June 30, 2009	\$ 1,332,234	\$ 578,749	\$ 1,681,993	\$ 220,945	\$ 3,813,921
Reserve for Encumbrances	\$ 170,288	\$ 49,924	\$ -	\$ 80,579	\$ 300,791

See Accompanying Notes to the Financial Statements

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Proprietary Fund Types		Fiduciary Fund Types		(Memorandum Only) Total
	Enterprise	Internal Service	Private Purpose Trust	Agency	
OPERATING CASH RECEIPTS:					
Food Services	\$ 283,960	-	-	-	\$ 283,960
Charges for Services	-	\$ 111,480	-	-	111,480
Interest	-	-	\$ 1,928	\$ 259	2,187
Extracurricular Activities	-	-	3,718	78,067	81,785
Total Operating Cash Receipts	283,960	111,480	5,646	78,326	479,412
OPERATING CASH DISBURSEMENTS					
Salaries	179,439	-	-	-	179,439
Fringe Benefits	107,274	-	-	-	107,274
Purchased Services	19,947	116,022	-	-	135,969
Materials and Supplies	229,244	-	-	-	229,244
Capital Outlay	3,359	-	-	-	3,359
Other Operating Expenses	-	-	13,400	78,593	91,993
Total Operating Cash Disbursements	539,263	116,022	13,400	78,593	747,278
Operating Income (Loss)	(255,303)	(4,542)	(7,754)	(267)	(267,866)
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)					
Federal and State Subsidies	268,552	-	-	-	268,552
Interest	2,089	658	-	-	2,747
Miscellaneous	268	-	500	-	768
Total Non Operating Cash Receipts (Disbursements)	270,909	658	500	-	272,067
Excess of Cash Receipts Over/(Under) Cash Disbursements	15,606	(3,884)	(7,254)	(267)	4,201
Fund Cash Balance, July 1, 2008	199,550	50,673	153,012	28,087	431,322
Fund Cash Balance, June 30, 2009	\$ 215,156	\$ 46,789	\$ 145,758	\$ 27,820	\$ 435,523
Reserve for Encumbrances	\$ 20,981	\$ -	\$ -	\$ 3,434	\$ 24,415

See Accompanying Notes to the Financial Statements

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Northwestern Local School District, Wayne County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members and is responsible for providing public education to residents of the District.

Average daily membership on, or as of, October 1, 2008 was 1,440. The District employs 103 certified and 70 non-certified employees. The District is supervised by the Tri-County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code 117-2-03 to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received and cash rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

C. CASH

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

1. General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue

Special Revenue funds used to account for the proceeds of special revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

Title VI-B Fund-This fund ensures that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs.

Athletic Fund-This fund accounts for gate receipts and other revenue from athletic events and all costs (except supplemental coaching contracts) of the School District's athletic program and transportation to and from athletic events.

Maintenance Fund- This fund accounts for the maintenance and repair of school buildings and other school properties.

3. Debt Service

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

Bond Retirement Fund- This fund retires the general obligation debt of the District.

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

4. Capital Projects

Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Permanent Improvement Fund- This fund expends funds for continuous capital improvements within the District.

Ohio School Facilities Commission Project Fund- This fund is designed for major renovations and repairs of school facilities. The renovation was completed in September 2008. Refer to Note 9.

5. Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund- This fund assists the District in administering food services that provide healthful, nutritious meals to eligible children.

6. Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

*Dental Insurance Fund-*This fund accounts for monies to pay claims for employee dental plans.

7. Private Purpose Trust Funds

Private Purpose Trust Funds are used to account for contributions which are limited to benefiting individuals, other organizations, or other governments.

Leo Welty Scholarship Fund – This fund accounts for scholarships.

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING** (continued)

8. **Agency Funds**

Agency Funds are used account for assets held by the District, as an agent for individuals, private organizations or other governmental units and/or other funds.

Student Activities Fund-This fund accounts for student activity programs which have student participation in the activity and have students involved in the management of the program.

E. **BUDGETARY PROCESS**

1. **Tax Budget**

A budget of estimated cash receipts and disbursements is submitted to the Wayne County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. **Appropriations**

An appropriation measure is adopted by the District on or before the first day of July in each year for the period July 1 to June 30 of the following year. The appropriation measure is submitted to the County Auditor, who in turn, submits it to the County Budget Commission. The appropriation measure controls expenditures of the District. The District may, by resolution, transfer funds from one line item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to availability of funds and to the approval of the County Budget Commission. The District's legal level of control is set at the fund level. The budget figures in Note 3 represent the final appropriation amounts including all amendments and modifications.

3. **Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

E. **BUDGETARY PROCESS** (continued)

4. **Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2009 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

H. **TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

2. **CASH AND INVESTMENTS**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. During the fiscal year, all investments were limited to Federal agency bonds and notes, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

2. CASH AND INVESTMENTS – (continued)

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, School Support Fund, Maintenance Fund, Student Activities Fund, Permanent Improvement Fund, Ohio School Facilities Fund, Food Service Fund, Dental Insurance Fund, and various trust funds, as authorized by board resolution. Interest income earned in fiscal year 2009 totaled \$59,260.

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2009</u>
Demand Deposits	\$ 19,583
STAR-Ohio	4,218,861
Certificate of Deposit	<u>11,000</u>
Total Deposit and Investments	<u>\$4,249,444</u>

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2009 is as follows:

	2009 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 11,502,464	\$ 11,651,924	\$ 149,460
Special Revenue	1,278,447	1,487,975	209,528
Debt Service	794,000	764,709	(29,291)
Capital Projects	326,546	253,322	(73,224)
Enterprise	547,981	554,869	6,888
Internal Service	112,000	112,138	138
Private Purpose Trust	5,055	6,146	1,091

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

3. BUDGETARY ACTIVITY – (continued)

2009 Appropriation vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 12,396,161	\$ 12,133,582	\$ 262,579
Special Revenue	1,440,875	1,276,168	164,707
Debt Service	771,703	765,749	5,954
Capital Projects	816,035	731,627	84,408
Enterprise	565,463	560,244	5,219
Internal Service	116,500	116,022	478
Private Purpose Trust	13,400	13,400	-

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Wayne and Ashland County Auditors at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2008; an update will be done in 2011. The next revaluation is scheduled for 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory is 12.5% in 2007, 6.25% in 2008 and will be reduced to 0% in 2009.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Wayne and Ashland County Treasurers collect property taxes on behalf of the District. The Wayne and Ashland County Auditors remit the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2009 for operations was \$32.60 per \$1,000 of assessed valuation, permanent improvements, \$2.80 per \$1,000 of assessed valuation and bond debt service, \$6.20 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2009 taxes were collected were as follows:

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

4. PROPERTY TAXES – (continued)

<u>Wayne County</u>		
	<u>2008</u>	<u>2007</u>
Real Property		
Residential/Agricultural	\$ 114,999,440	\$ 103,186,440
Commerical/Industrial/Public Utilities	10,310,176	9,195,290
Tangible Personal Property		
PUCO Personal	3,027,780	4,762,010
Telephone PP	<u>629,200</u>	<u>2,946,790</u>
Total Valuation	<u>\$ 128,966,596</u>	<u>\$ 120,090,530</u>
 <u>Ashland County</u>		
	<u>2008</u>	<u>2007</u>
Real Property		
Residential/Agricultural	\$ 6,286,460	\$ 5,642,600
Commerical/Industrial/Public Utilities	204,170	115,760
Tangible Personal Property		
PUCO Personal	391,320	145,880
Telephone PP	<u>100,560</u>	<u>379,050</u>
Total Valuation	<u>\$ 6,982,510</u>	<u>\$ 6,283,290</u>

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Columbus, Ohio 43215.

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 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 the fiscal year 2008 (the latest information available), 9.82% 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, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$260,175, \$277,332 and \$265,452, respectively; 100 percent for all fiscal years.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

5. DEFINED BENEFIT PENSION PLANS – (continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employer retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008 (the latest information available), plan members are required to contribute 10 percent of their annual covered salary. The School District is required to contribute 14 percent; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation 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 members and employers contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$801,281, \$793,404 and \$779,436, respectively; 100 percent has been contributed for all fiscal years.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

6. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2008 (the latest information available) the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$57,234 during fiscal year 2009.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.7 billion at June 30, 2008 (the latest information available). For the year ended June 30, 2008, total health care costs paid by STRS were \$540 million and STRS had 126,506 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels. Premiums are reduced by 50% for those who apply.

For the year ended June 30, 2008 (the latest information available) employer contributions to fund health care benefits were 4.18% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year ended June 30, 2008, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Health care claims expense increased from \$219.4 million to \$226.4 million at June 30, 2008 (the latest information available). At June 30, 2008, SERS had net assets available for payment of health care benefits of \$392.7 million. SERS has approximately 189,188 members who are active and retired non-teaching public school employees. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$75,082 during the 2009 fiscal year.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

7. GENERAL LONG-TERM DEBT OBLIGATIONS

	Balance Outstanding <u>June 30, 2008</u>	<u>Adjustment</u>	Adjusted Balance <u>June 30, 2008</u>	<u>Addition</u>	<u>Deductions</u>	Balance Outstanding <u>June 30, 2009</u>
General Obligation Bonds						
1.5% to 5.75%	\$ 2,475,000	\$ 220,000	\$ 2,695,000	-	\$ 20,000	\$ 2,675,000
4.5% to 7.2%	1,115,000	(220,000)	895,000	-	265,000	630,000
Various Improvement Bonds						
3% Due July 1, 2023	<u>3,130,000</u>	<u>-</u>	<u>3,130,000</u>	<u>-</u>	<u>120,000</u>	<u>3,010,000</u>
Total	<u>\$ 6,720,000</u>	<u>-</u>	<u>\$ 6,720,000</u>	<u>-</u>	<u>\$ 405,000</u>	<u>\$ 6,315,000</u>

Outstanding general obligation bonds consist of school building construction issues and school bus issues. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

The adjustment was made to properly reflect the outstanding balance of the specific loan accounts. The total outstanding balance did not change.

On October 15, 2003, the District issued \$2,995,000 refunded general obligation bonds. The proceeds of the bonds were used to refund in advance of their maturity the December 1, 2006 and December 1, 2016 maturities totaling \$2,995,000 of the District's general obligation bonds, Series 1994. This refunding was done to achieve interest cost savings. Proceeds of the bonds were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded 1994 bonds as such payments become due, until the call dates of the respective refunded bonds, at which time the escrow pays the principal of the refunded bonds at a price of par plus interest. Since these bonds have been placed in irrevocable trust, they are considered defeased for these financial statements. The advance refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$357,935. The economic gain is \$254,510. The annual requirement to amortize all debt outstanding as of June 30, 2009 is as follows:

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2009**

7. GENERAL LONG-TERM DEBT OBLIGATIONS - (continued)

Year Ending June 30	School Improvement Bonds	School Improvement Bonds	Various Improvement Bonds	Total
2010	\$ 334,560	\$ 154,743	\$ 277,314	\$ 766,617
2011	341,880	154,143	281,721	777,744
2012	-	493,368	280,670	774,038
2013	-	503,143	279,220	782,363
2014	-	512,892	277,360	790,252
2015-2019	-	1,589,745	1,386,065	2,975,810
2020-2024	-	-	1,383,282	1,383,282
2025	-	-	276,953	276,953
Total Principal and Interest	676,440	3,408,034	4,442,585	8,527,059
Less Interest	(46,440)	(733,034)	(1,432,585)	(2,212,059)
Total Principal	<u>\$ 630,000</u>	<u>\$ 2,675,000</u>	<u>\$ 3,010,000</u>	<u>\$ 6,315,000</u>

8. SET ASIDES

The District is required by State statute to annually set aside monies for purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts were only used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in futures years.

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook/ Instructional Material Reserve	Total
Set Aside Balance, 6/30/08	\$ 173,531	-	-	\$ 173,531
Current Year Set Aside Requirement	-	\$ 233,229	\$ 233,229	466,458
Qualifying Disbursements	-	(309,260)	(240,776)	(550,036)
Total	<u>173,531</u>	<u>(76,031)</u>	<u>(7,547)</u>	<u>89,953</u>
Cash Balance Carried Forward to Fiscal Year 2010	<u>\$ 173,531</u>			<u>\$ 173,531</u>
Total Restricted Assets				<u>\$ 173,531</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

9. FUND TRANSFERS

During the fiscal year 2009, the District transferred out from the General Fund \$45,000 to the EMIS Fund and Before/After School Program for subsidy of normal operations. The applicable Ohio Revised Code compliance requirements were met.

In compliance with section 3318.12 of the Ohio Revised Code, the District transferred the remaining funds in the Capital Projects – Ohio School Facilities Commission Project Fund in the amount of \$341,788 to Special Revenue – Maintenance Fund. These funds transferred are comprised mostly of unused investment earnings of the project which was completed in September 2008.

10. JOINTLY GOVERNED ORGANIZATION

TRI-COUNTY COMPUTER SERVICES ASSOCIATION (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which is the fiscal agent, located at 741 Winkler Drive, Wooster, OH 44691. During the year ended June 30, 2009, the District paid approximately \$51,470 to TCCSA for basic service charges.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets, errors, omissions, injuries to employees, and natural disasters. The District has a comprehensive property and casualty policy with the Indiana Insurance Company. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with the Indiana Insurance Company and have a \$1,000 deductible. All board members, administrators and employees are covered under a school district liability policy with Indiana Insurance Company. The limits of coverage are \$1,000,000 per occurrence and \$2,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. The board president, superintendent, athletic director and food service director, each have a \$20,000 position bond with Travelers Casualty Insurance Company.

The Treasurer is covered under a surety bond in the amount of \$50,000. The bond is provided by the Travelers Casualty Insurance Company.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2009**

11. RISK MANAGEMENT – (continued)

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. The rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

12. GROUP PURCHASING POOL

OHIO MID-EASTERN REGIONAL EDUCATIONAL SERVICE AGENCY HEALTH BENEFITS PLAN (OMERESA)

Medical and prescription drug insurance is offered to employees through a self-insurance internal service fund. The Northwestern Local School District is a member of the Wayne County Schools Council (WCSC) which is also a member of the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Health Benefit Plan. On April 1, 2007 the WCSC joined OME-RESA, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf.

The estimated Incurred But Not Reported (IBNR) claims of the WCSC in the amount of \$302,000 were reported as of June 30, 2009. This amount is based on an estimate provided by a third party actuarial calculation. This actuarial calculation also reports a reserve balance for the WCSC as of June 30, 2009 in the amount of \$473,293. When the WCSC joined OME-RESA, a three-year commitment was made to attain the proper reserve balance and the WCSC. Also because the WCSC is under the umbrella of OME-RESA, the minimum requirements under Section 9.833 of the ORC are satisfied.

13. CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

14. COMPLIANCE

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.

Northwestern Local School District

Schedule of Federal Awards Expenditures

For the Year Ending June 30, 2009

Federal Grantor/Pass Through Grantor Number/Program Title	Pass-through grant number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass through Ohio Department of Agriculture:				
Nutrition Cluster:				
Cash Assistance:				
National School Lunch Program (NSLP)	050575-LLP4-2008	10.555	\$ 215,490	\$ 215,490
Breakfast Program	050575-05PU-2008	10.553	45,909	45,909
Non-Cash Assistance:				
National School Lunch Program (NSLP)	n/a	10.555	<u>36,211</u>	<u>36,211</u>
Total U.S. Department of Agriculture			297,610	297,610
<u>U.S. Department of Education</u>				
Direct Program:				
Character Education Grant	n/a	84.215	75,000	75,000
Pass through Ohio Department of Education:				
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children				
Title I	050575-C1S1-2008	84.010	182,313	182,313
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Title VI - B	050575-6BSF-2008	84.027	268,861	268,861
Drug - Free School Grant				
Title IV A Drug - Free School Grant - FY09	050575-DRS1-2008	84.186	3,798	3,798
Innovative Education Program Strategies				
Title V	050575-C2S1-2008	84.298	1,048	1,048
Technology Literacy Challenge Grant				
Title II D	050575-TJS1-2008	84.318	1,707	1,707
Title II-A				
Title II-A	050575-TRS1-2008	84.367	<u>55,723</u>	<u>55,723</u>
Total U.S. Department of Education			<u>588,450</u>	<u>588,450</u>
Total Federal Expenditures			<u>\$ 886,060</u>	<u>\$ 886,060</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

NORTHWESTERN LOCAL SCHOOL DISTRICT
Wayne County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2009

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had immaterial food commodities in inventory.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Northwestern Local School District
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Education:

We have audited the financial statements of the Northwestern Local School District, Wayne County, Ohio (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 28, 2009, which was adverse due to the District not filing financial statements in accordance with generally accepted accounting principles. 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 Controls 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

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, grant agreements and other matters, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2009-NWLS-01.

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

We noted certain matters that we have reported to management of the District in a separate letter dated September 28, 2009.

This report is intended for the information and use of management, the Board of Education, 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.

Charles E. Harris & Associates, Inc.

September 28, 2009

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Northwestern Local School District
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Education:

Compliance

We have audited the compliance of the Northwestern Local School District, Wayne County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 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 are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended for the information and use of management, the Board of Education, 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.

Charles E. Harris & Associates, Inc.
September 28, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY
June 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Adverse
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Program:</i>	Special Education: Title VI - B
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY
June 30, 2009

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

FINDING NUMBER 2009-NWLSO-01 – Non-compliance citation

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles (GAAP). However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Management's Response:

The District does not intend to report in accordance with generally accepted accounting principles. Management believes the cost savings far outweighs reporting on GAAP.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-NWLSD-01	Ohio Administrative Code Section 117-2-03 (B)-The District did not report their financial statements on the GAAP basis	No	Not Corrected-See Finding 2009-NWLSD-01

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Northwestern Local School District
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on June 29, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974, “88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibiting incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administrator semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat, 571 U.S.C. 1232q, as amended.

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

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

Charles E. Harris & Associates, Inc.
September 28, 2009



Mary Taylor, CPA
Auditor of State

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 8, 2009