



***NORTHWEST
LOCAL SCHOOL DISTRICT***

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2014

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwest Local School District, Scioto County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Northwest Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 8, 2015

This Page Left Intentionally Blank

Northwest Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2014

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	16
Statement of Fiduciary Net Position - Fiduciary Fund.	17
Statement of Changes in Fiduciary Net Position - Fiduciary Fund.	18
Notes to the Basic Financial Statements.....	19

SUPPLEMENTAL SCHEDULE

Schedule of Federal Awards Expenditures.....	44
--	----

*Northwest Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2014*

AUDIT REPORTS

Independent Accountant’s Report on Internal Control over Financial Reporting and on
on Compliance and Other Matters Required by Government Auditing Standards.....45

Independent Accountant’s Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in Accordance with47
OMB Circular A-133

Schedule of Findings49

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District (District), Scioto County as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9 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 inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The schedule of expenditures of federal awards is required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The schedule of expenditures of federal awards is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

February 20, 2015

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northwest Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$19,447,043.
- The School District's net position of governmental activities decreased \$543,541.
- General revenues accounted for \$14,948,794 or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$4,227,198 or 22 percent of total revenues of \$19,175,992.
- The School District had \$19,719,533 in expenses related to governmental activities; \$4,227,198 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins on page 6. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major fund is the General Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

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

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

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	2014	2013
Assets:		
Current and Other Assets	\$4,115,263	\$4,007,640
Capital Assets, Net	22,204,268	23,143,930
Total Assets	26,319,531	27,151,570
Liabilities:		
Current and Other Liabilities	2,067,605	2,090,475
Long-Term Liabilities	2,900,597	3,270,762
Total Liabilities	4,968,202	5,361,237
Deferred Inflows of Resources	1,904,286	1,799,749
Net Position:		
Net Investment in Capital Assets	20,952,913	21,582,726
Restricted	756,488	929,187
Unrestricted (Deficit)	(2,262,358)	(2,521,329)
Total Net Position	\$19,447,043	\$19,990,584

Total net position of the School District as a whole decreased \$543,541. Current and other assets increased \$107,623, due primarily to increases in cash balances and taxes receivable, which was partially offset by a decrease in intergovernmental receivables. Capital assets decreased \$939,662, due to current year depreciation exceeding current year additions. Current and other liabilities decreased \$22,870, due primarily to decreases in accrued wages and benefits and intergovernmental payables, which was partially offset by an increase in accounts payable. Deferred inflows of resources increased \$104,537, due primarily to an increase in taxes receivable. Long-term liabilities decreased \$370,165, due mainly to principal payments on long-term debt.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

Table 2
Change in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$914,007	\$1,115,121
Operating Grants and Contributions	<u>3,313,191</u>	<u>3,414,363</u>
Total Program Revenues	4,227,198	4,529,484
General Revenues:		
Taxes Levied for:		
General Purposes	1,920,909	1,871,490
Debt Service	0	33,577
Permanent Improvement	50,008	0
Capital Maintenance	32,983	46,610
Grants and Entitlements, Not Restricted to Specific Programs	12,524,071	11,744,569
Unrestricted Grants and Donations	1,392	0
Insurance Recoveries	30,176	9,968
Investment Earnings	1,154	3,883
Miscellaneous	<u>388,101</u>	<u>43,486</u>
Total General Revenues	<u>14,948,794</u>	<u>13,753,583</u>
Total Revenues	<u>19,175,992</u>	<u>18,283,067</u>
Program Expenses:		
Instruction:		
Regular	8,130,615	7,884,145
Special	1,789,392	1,663,016
Vocational	92,554	100,793
Other	1,609,510	1,568,551
Support Services:		
Pupils	731,068	789,215
Instructional Staff	495,838	1,068,792
Board of Education	65,731	39,546
Administration	1,216,594	1,248,155
Fiscal	329,432	284,945
Operation and Maintenance of Plant	2,350,805	2,026,180
Pupil Transportation	1,654,990	1,669,419
Central	12,837	4,700
Operation of Non-Instructional Services	869,242	846,515
Extracurricular Activities	272,427	311,232
Interest and Fiscal Charges	<u>98,498</u>	<u>130,007</u>
Total Expenses	<u>19,719,533</u>	<u>19,635,211</u>
Change in Net Position	(543,541)	(1,352,144)
Net Position at Beginning of Year	<u>19,990,584</u>	<u>21,342,728</u>
Net Position at End of Year	<u>\$19,447,043</u>	<u>\$19,990,584</u>

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Charges for services and sales and operating grants and contributions remained relatively consistent between years. Grants and entitlements not restricted to specific programs increased \$779,502, due primarily to an increase in State Foundation funding. General and capital maintenance taxes remained relatively consistent between years, but the debt service levy expired and a permanent improvement levy went into effect in 2014.

Instruction expenses, administration and pupil transportation support services remained relatively consistent between years. Instructional staff support services decreased due to budget cuts. Operation and maintenance of plant increased due to increased maintenance costs.

Governmental Activities

Grants and entitlements not restricted to specific programs comprised 65 percent of revenue for governmental activities, while operating grants and contributions comprised 17 percent of revenue for governmental activities, and property taxes comprised 10 percent of revenue for governmental activities of the School District for fiscal year 2014.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 41 percent of governmental program expenses while special instruction comprised 9 percent of governmental expenses. Operation and maintenance of plant and pupil transportation expenses comprised 12 percent and 8 percent, respectively.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
 Total and Net Cost of Program Services

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$11,622,071	\$11,216,505	\$8,920,236	\$8,425,952
Support Services	6,857,295	7,130,952	6,149,223	6,280,796
Operation of Non-Instructional Services	869,242	846,515	132,909	36,175
Extracurricular Activities	272,427	311,232	191,469	232,797
Interest and Fiscal Charges	98,498	130,007	98,498	130,007
Total Expenses	\$19,719,533	\$19,635,211	\$15,492,335	\$15,105,727

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,327,024 and expenditures and other financing uses of \$19,277,536. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased in the amount of \$279,206. This was a result of revenues in excess of expenditures.

Northwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2014, there were several revisions to the General Fund budget. In part, these revisions increased appropriations by \$606,319 as a result of increases in transfers and advances to other funds. These revisions also increased estimated resources by \$580,154 as a result of increased budgeting for intergovernmental receipts resulting in higher than initially expected State Foundation funds. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$162,464.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$22,204,268 invested in its capital assets. Table 4 shows the fiscal year 2014 balances compared to 2013.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	<u>2014</u>	<u>2013*</u>
Land	\$242,903	\$235,967
Land Improvements	208,517	154,369
Buildings and Improvements	20,686,543	21,632,922
Furniture and Equipment	671,138	683,693
Vehicles	289,238	331,050
Textbooks	<u>105,929</u>	<u>105,929</u>
Totals	<u>\$22,204,268</u>	<u>\$23,143,930</u>

*Certain reclassifications were made to correct classifications of capital assets.

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

Debt

At June 30, 2014, the School District had School Facilities General Obligations Refunding Bonds outstanding of \$268,340. The bonds were issued for school construction. The School District also had capital lease obligations outstanding of \$1,173,000. See Notes 11 and 12 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Northwest Local School District
Statement of Net Position
As of June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,258,620
Intergovernmental Receivable	136,779
Taxes Receivable	2,719,864
Nondepreciable Capital Assets	235,967
Depreciable Capital Assets, net	21,968,301
<i>Total Assets</i>	26,319,531
Liabilities:	
Accounts Payable	46,791
Accrued Wages and Benefits	1,708,000
Intergovernmental Payable	312,814
Long-Term Liabilities:	
Due Within One Year	584,120
Due in More Than One Year	2,316,477
<i>Total Liabilities</i>	4,968,202
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	1,904,286
Net Position:	
Net Investment in Capital Assets	20,952,913
Restricted for Debt Service	319,233
Restricted for Capital Outlay	53,398
Restricted for Other Purposes	296,628
Restricted for Set-Asides	87,229
Unrestricted (Deficit)	(2,262,358)
<i>Total Net Position</i>	\$19,447,043

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

Northwest Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$8,130,615	\$272,465	\$881,451	(\$6,976,699)
Special	1,789,392	65,468	1,406,138	(317,786)
Vocational	92,554	3,438	13,214	(75,902)
Other	1,609,510	59,661	0	(1,549,849)
Support Services:				
Pupils	731,068	116,192	13,276	(601,600)
Instructional Staff	495,838	4,201	387,280	(104,357)
Board of Education	65,731	2,437	0	(63,294)
Administration	1,216,594	44,987	0	(1,171,607)
Fiscal	329,432	12,108	0	(317,324)
Operation and Maintenance of Plant	2,350,805	61,136	1,419	(2,288,250)
Pupil Transportation	1,654,990	59,560	0	(1,595,430)
Central	12,837	76	5,400	(7,361)
Operation of Non-Instructional Services	869,242	132,368	603,965	(132,909)
Extracurricular Activities	272,427	79,910	1,048	(191,469)
Interest and Fiscal Charges	98,498	0	0	(98,498)
<i>Total Governmental Activities</i>	<u>\$19,719,533</u>	<u>\$914,007</u>	<u>\$3,313,191</u>	(15,492,335)

General Revenues:

Property Taxes Levied for:	
General Purposes	1,920,909
Capital Maintenance	32,983
Permanent Improvements	50,008
Grants and Entitlements not	
Restricted for Specific Programs	12,524,071
Unrestricted Gifts and Donations	1,392
Insurance Recoveries	30,176
Investment Earnings	1,154
Miscellaneous	388,101
<i>Total General Revenues</i>	<u>14,948,794</u>
<i>Change in Net Position</i>	(543,541)
<i>Net Position Beginning of Year</i>	<u>19,990,584</u>
<i>Net Position End of Year</i>	<u>\$19,447,043</u>

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

Northwest Local School District
Balance Sheet
Governmental Funds
As of June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$486,729	\$684,662	\$1,171,391
Interfund Receivable	197,002	0	197,002
Intergovernmental Receivable	0	136,779	136,779
Taxes Receivable	2,625,015	94,849	2,719,864
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	87,229	0	87,229
<i>Total Assets</i>	<u>\$3,395,975</u>	<u>\$916,290</u>	<u>\$4,312,265</u>
Liabilities:			
Accounts Payable	\$40,266	\$6,525	\$46,791
Accrued Wages and Benefits	1,502,977	205,023	1,708,000
Interfund Payable	0	197,002	197,002
Intergovernmental Payable	288,609	24,205	312,814
<i>Total Liabilities</i>	1,831,852	432,755	2,264,607
Deferred Inflows of Resources:			
Property Taxes not Levied to Finance Current Year Operations	1,842,940	61,346	1,904,286
Unavailable Revenue	662,781	28,349	691,130
<i>Deferred Inflows of Resources</i>	2,505,721	89,695	2,595,416
Fund Balances:			
Restricted	0	691,642	691,642
Committed	323,438	0	323,438
Assigned	47,795	0	47,795
Unassigned (Deficit)	(1,312,831)	(297,802)	(1,610,633)
<i>Total Fund Balances</i>	<u>(941,598)</u>	<u>393,840</u>	<u>(547,758)</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$3,395,975</u>	<u>\$916,290</u>	<u>\$4,312,265</u>

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

Northwest Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2014*

Total Governmental Fund Balances (\$547,758)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 22,204,268

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

Taxes	691,130	
Total		691,130

Long-term liabilities, including bonds and related liabilities, capital leases, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(1,459,257)	
Capital Lease Obligations	(1,173,000)	
Capital Appreciation Bonds	(268,340)	
Total		(2,900,597)

Net Position of Governmental Activities \$19,447,043

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

Northwest Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$1,878,010	\$80,041	\$1,958,051
Intergovernmental	13,888,140	2,012,141	15,900,281
Interest	1,154	0	1,154
Tuition and Fees	587,174	0	587,174
Rent	12,653	0	12,653
Extracurricular Activities	92,894	91,151	184,045
Gifts and Donations	6,459	1,295	7,754
Customer Sales and Services	0	130,135	130,135
Miscellaneous	386,187	1,914	388,101
<i>Total Revenues</i>	16,852,671	2,316,677	19,169,348
Expenditures:			
Current:			
Instruction:			
Regular	6,614,219	911,327	7,525,546
Special	1,760,080	22,021	1,782,101
Vocational	86,676	0	86,676
Other	1,609,510	0	1,609,510
Support Services:			
Pupils	719,490	7,092	726,582
Instructional Staff	131,158	381,185	512,343
Board of Education	65,731	0	65,731
Administration	1,191,853	0	1,191,853
Fiscal	318,503	2,445	320,948
Operation and Maintenance of Plant	1,630,145	158,404	1,788,549
Pupil Transportation	1,606,764	0	1,606,764
Central	2,037	10,800	12,837
Operation of Non-Instructional Services	68,473	797,496	865,969
Extracurricular Activities	165,763	92,167	257,930
Capital Outlay	214,008	10,958	224,966
Debt Service:			
Principal	227,000	280,000	507,000
Interest	64,731	0	64,731
<i>Total Expenditures</i>	16,476,141	2,673,895	19,150,036
<i>Excess of Revenues Over (Under) Expenditures</i>	376,530	(357,218)	19,312
Other Financing Sources (Uses):			
Transfers In	0	127,500	127,500
Insurance Recoveries	30,176	0	30,176
Transfers Out	(127,500)	0	(127,500)
<i>Total Other Financing Sources (Uses)</i>	(97,324)	127,500	30,176
<i>Net Change in Fund Balances</i>	279,206	(229,718)	49,488
<i>Fund Balance (Deficit) at Beginning of Year</i>	(1,220,804)	623,558	(597,246)
<i>Fund Balance (Deficit) at End of Year</i>	(\$941,598)	\$393,840	(\$547,758)

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

Northwest Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$49,488

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

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

Capital Asset Additions	224,966	
Current Year Depreciation	(1,164,628)	
Total	(939,662)	(939,662)

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

Intergovernmental	(69,381)	
Taxes	45,849	
Total	(23,532)	(23,532)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 280,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 227,000

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

Increase in Compensated Absences	(103,068)	
Increase for Accretion	(33,767)	
Total	(136,835)	(136,835)

Net Change in Net Position of Governmental Activities (\$543,541)

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

Northwest Local School District
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)*
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Financing Sources	\$16,678,495	\$17,258,649	\$17,258,649	\$0
Total Expenditures and Other Financing Uses	16,698,134	17,304,453	17,304,453	0
<i>Net Change in Fund Balance</i>	(19,639)	(45,804)	(45,804)	0
<i>Fund Balance at Beginning of Year</i>	103,613	103,613	103,613	0
<i>Prior Year Encumbrances Appropriated</i>	104,655	104,655	104,655	0
<i>Fund Balance at End of Year</i>	<u>\$188,629</u>	<u>\$162,464</u>	<u>\$162,464</u>	<u>\$0</u>

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

Northwest Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2014

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$48,294	\$21,875
<i>Total Assets</i>	\$48,294	\$21,875
Liabilities:		
Undistributed Monies		\$21,875
<i>Total Liabilities</i>		\$21,875
Net Position:		
Held in Trust for Scholarships	\$48,294	
<i>Total Net Position</i>	\$48,294	

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

Northwest Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	\$14,456
Interest	10
	14,466
Deductions:	
Payments in Accordance with Trust Agreements	12,500
	12,500
<i>Change in Net Position</i>	1,966
<i>Net Position Beginning of Year</i>	46,328
<i>Net Position End of Year</i>	\$48,294

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 187 square miles. It is located in Scioto County, and includes all of the Villages of Rarden and Otway and portions of Brush, Rush, Union, Morgan and Rarden Townships. It is staffed by 73 non-certificated and administrative employees, and 101 certificated full-time teaching personnel who provide services to 1,546 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Funds

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

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

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

Fiduciary Funds

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The School District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities.

Expenses/Expenditures

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2014.

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

Encumbrances - Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a restriction, commitment, or assignment of fund balance for subsequent year expenditures for governmental funds. A restriction, commitment, or assignment for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the statement of revenues, expenditures and changes in fund balances – budget and actual (budgetary basis) presented for the General Fund.

F. Cash and Cash Equivalents

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

During fiscal year 2014, the School District invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$1,154.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure.

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

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

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

H. Interfund Balances

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

I. Compensated Absences

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

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

K. Fund Balances

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the School District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the School District’s Board of Education.

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates

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

M. Net Position

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

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

Of the School District's \$756,488 in restricted net position, none is restricted for enabling legislation.

N. Restricted Assets

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

O. Interfund Transactions

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and change in fund balance - budget and actual (budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis);
4. As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the entire Uniform School Supplies and Public School Support Funds.

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

	Net Change in Fund Balance
GAAP Basis	\$279,206
Revenue Accruals	479,725
Expenditure Accruals	(418,664)
Encumbrances	(98,423)
(Excess) Deficit of Funds Combined with the General Fund for Reporting Purposes	<u>(287,648)</u>
Budget Basis	<u>(\$45,804)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to State law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the Federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2014, the School District’s bank balance of \$1,463,464 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments As of June 30, 2014, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAROhio	\$45,633	<1 Year

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The School District limited its investments to securities in STAROhio. STAROhio has been rated AAAM by Standard & Poor’s.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single user. The School District’s investment policy allows investments in STAROhio, repurchase agreements, and securities or obligations of federal agencies or instrumentalities. 100 percent of the School District’s investments are in STAROhio.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District’s securities are held in the name of the School District.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2014 (other than public utility property tax) represents the collection of 2014 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2014 were levied after April 1, 2013, on the value as of December 31, 2013. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - PROPERTY TAXES (continued)

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

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$95,355,890	92.73%	\$102,929,260	92.98%
Public Utility	7,474,950	7.27%	7,776,510	7.02%
Total Assessed Value	\$102,830,840	100.00%	\$110,705,770	100.00%
 Tax rate per \$1000 of Assessed Valuation	 \$22.08		 \$21.72	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2014, was \$119,294 in the General Fund, \$3,097 in the Permanent Improvement Non-major Capital Projects Fund and \$2,057 in the Classroom Facilities Maintenance Non-major Special Revenue Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of taxes receivable, interfund receivables, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Nonmajor Funds:	
Early Childhood Education	\$21,877
Title I	100,332
Title II-A	10,297
Miscellaneous Federal Grants	4,273
Total Nonmajor Funds	136,779
Total All Funds	\$136,779

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Ending Balance 6/30/13*	Additions	Deletions	Ending Balance 6/30/14
Capital Assets, Not Being Depreciated				
Land	\$235,967	\$0	\$0	\$235,967
Total Capital Assets, Not Being Depreciated	235,967	0	0	235,967
Capital Assets, Being Depreciated				
Land Improvements	1,317,845	80,148	0	1,397,993
Buildings and Improvements	35,291,054	20,200	0	35,311,254
Furniture and Equipment	6,113,884	123,118	0	6,237,002
Vehicles	2,031,756	1,500	0	2,033,256
Textbooks	1,079,146	0	0	1,079,146
Total Capital Assets, Being Depreciated	45,833,685	224,966	0	46,058,651
Less Accumulated Depreciation				
Land Improvements	(1,163,476)	(26,000)	0	(1,189,476)
Buildings and Improvements	(13,658,132)	(966,579)	0	(14,624,711)
Furniture and Equipment	(5,430,191)	(128,737)	0	(5,558,928)
Vehicles	(1,700,706)	(43,312)	0	(1,744,018)
Textbooks	(973,217)	0	0	(973,217)
Total Accumulated Depreciation	(22,925,722)	(1,164,628)	0	(24,090,350)
Total Capital Assets, Being Depreciated, Net	22,907,963	(939,662)	0	21,968,301
Governmental Activities Capital Assets, Net	\$23,143,930	(\$939,662)	\$0	\$22,204,268

*Certain reclassifications were made to correct classifications of capital assets.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$539,227
Special	1,210
Vocational	1,844
Support Services:	
Pupils	2,009
Instructional Staff	1,319
Administration	2,958
Fiscal	336
Operation and Maintenance of Plant	551,359
Pupil Transportation	48,234
Operation of Non-Instructional Services	1,635
Extracurricular Activities	14,497
Total Depreciation Expense	<u>\$1,164,628</u>

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Argonaut Insurance Group for property, fleet insurance, and liability insurance coverage.

Coverages provided were as follows:

Building and contents – replacement cost	\$38,969,864
Excess liability	
Per occurrence	1,000,000
Total aggregate	1,000,000
Automobile liability	1,000,000
General liability	
Per occurrence	1,000,000
Total aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District reviewed its coverage for fiscal year 2014 and amended where deemed appropriate.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District’s contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$301,744, \$404,655, and \$374,948, respectively, which equaled the required contributions each year.

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

State Teachers Retirement System

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

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

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan

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

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

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014 were 11 percent of covered payroll for members and 14 percent for employers. The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$801,446, \$873,106, and \$954,095, respectively; 84 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012. \$141,064 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

B. Postemployment Benefits

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013 and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent. The School District's contributions for the years ended June 30, 2014, 2013 and 2012, were \$17,506, \$22,858, and \$22,143, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2014, 2013 and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ending June 30, 2014, 2013, and 2012 were \$33,490, \$30,107, and \$49,457, respectively.

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

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

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

State Teachers Retirement System

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

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$61,650, \$67,162, and \$73,392, for fiscal years 2014, 2013 and 2012, respectively; 84 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for both classified and certified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 52 days for classified and 56 days for certified personnel.

B. Insurance Benefits

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

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

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal payments in fiscal year 2014 totaled \$227,000 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014.

Fiscal Year Ending June 30,	
2015	\$290,085
2016	289,201
2017	289,629
2018	288,321
2019	153,743
Total Minimum Lease Payments	1,310,979
Less: Amounts Representing Interest	(137,979)
Present Value of Minimum Lease Payments	\$1,173,000

NOTE 12 - LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2014 were as follows:

	Principal			Principal	
	Outstanding 6/30/13	Additions	Deductions	Outstanding 6/30/14	Due Within One Year
1999 Capital Appreciation Bonds:					
4.53% - 4.93%	\$161,204	\$0	(\$82,849)	\$78,355	\$78,355
Accretion on Capital Appreciation Bonds	353,369	33,767	(197,151)	189,985	189,985
Capital Leases	1,400,000	0	(227,000)	1,173,000	238,000
Compensated Absences	1,356,189	510,304	(407,236)	1,459,257	77,780
Total Long-Term Liabilities	\$3,270,762	\$544,071	(\$914,236)	\$2,900,597	\$584,120

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - LONG-TERM LIABILITIES (continued)

\$1,990,000 were issued as serial bonds with interest rates ranging from 3.25% to 4.30%. \$529,992 were issued as capital appreciation bonds. The bonds were issued with a \$358,114 premium. The serial bonds and capital appreciation bonds are not subject to mandatory sinking fund or optional redemption prior to stated maturity. The serial and certain capital appreciation bonds matured in prior years. Capital appreciation bonds maturing in 2014 were repaid in the amount of \$280,000. The remaining capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$280,000. For fiscal year 2014, \$33,767 was accreted on the capital appreciation bonds for a total outstanding bond value of \$268,340 at fiscal year-end. \$189,985 was the total accreted value through June 30, 2014.

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

The School District's overall legal debt margin was \$9,963,519 with an unvoted debt margin of \$110,706 at June 30, 2014.

Principal and interest requirements to retire capital appreciation general obligation bonds at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Capital Appreciation Bonds	Accretion	Total
2015	\$78,355	\$201,645	\$280,000
	\$78,355	\$201,645	\$280,000

The accretion in the amortization schedule does not match the principal outstanding at June 30, 2014 since the debt was not fully accreted as of June 30, 2014.

NOTE 13 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2014 consist of the following individual fund receivables and payables, which are expected to be repaid during the 2015 fiscal year:

	Receivable	Payable
Major Fund:	\$197,002	\$0
General Fund		
Nonmajor Fund:		
Food Service	0	197,002
Total Interfund Receivables/Payables	\$197,002	\$197,002

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 - INTERFUND ACTIVITY (continued)

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2014 were as follows:

	Transfers In	Transfers Out
Major Fund:	\$0	\$127,500
General Fund		
Nonmajor Funds:		
Food Service	62,500	0
Athletics	65,000	0
Total Transfers	\$127,500	\$127,500

Transfers were made from the General Fund to the Food Service and Athletics Funds to subsidize operations.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid \$144,466 for services provided by SCOCA during the fiscal year. Financial information can be obtained from Sandra Benson, Chief Financial Officer, 175 Beaver Creek Road, Suite C, Piketon, Ohio 45661.

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

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Southern Ohio Academy - The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom Vernon, Clay, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington-Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL

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

The Plan views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, Coworth Financial Services, 10999 Reed Hartman Hwy, Cincinnati, Ohio 45242.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. The School District is no longer required to set aside funds in the budget stabilization set-aside, with the exception of monies received from the Bureau of Worker's Compensation, which must be spent for specified purposes. The School District has elected to maintain its budget stabilization set-aside to be used to offset future fund deficits. As such, this set-aside is not reflected as restricted fund balance on the fund financial statements, but is instead reflected in the unassigned fund balance classification.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS (continued)

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

	Capital Acquisition	Budget Stabilization
Set-aside balance as of June 30, 2013	\$0	\$87,229
Current year set-aside requirement	275,982	0
Current year offsets	(33,138)	0
Current year qualifying disbursements	(30,648)	0
Prior year offset from bond proceeds	(212,196)	0
Excess qualified expenditures from prior years	0	0
Total	\$0	\$87,229
Balance carried forward to fiscal year 2015	\$0	\$87,229
Set-aside balance as of June 30, 2014	\$0	\$87,229

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition set-aside. The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the set-aside for capital acquisition to \$0. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,905,956 at June 30, 2014.

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

The School District is currently party to legal proceedings. However, the School District is of the opinion that there will not be a material adverse effect in the School District's fund balances/net position.

NOTE 18 – ACCOUNTABILITY

Accountability - Fund Balance Deficits

At June 30, 2014, the General Fund and the Food Service, Early Childhood, and Title II-A Grants Special Revenue Funds had fund balance deficits of \$941,598, \$278,483, \$266, and \$19,053, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 19 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	Other Governmental Funds	Total Governmental Funds
<i>Restricted</i>			
Capital Projects and Maintenance	\$0	\$220,617	\$220,617
Athletics	0	115,157	115,157
State Grants	0	1,201	1,201
Federal Grants	0	35,434	35,434
Debt Service	0	319,233	319,233
Total Restricted	0	691,642	691,642
<i>Committed</i>			
Other Purposes	14,575	0	14,575
Termination Benefits	283,863	0	283,863
Furniture Reserve	25,000	0	25,000
Total Committed	323,438	0	323,438
<i>Assigned</i>			
Other Purposes	37,058	0	37,058
Student and Staff Support	10,737	0	10,737
Total Assigned	47,795	0	47,795
<i>Unassigned (Deficit)</i>	(1,312,831)	(297,802)	(1,610,633)
Total Fund Balances	(\$941,598)	\$393,840	(\$547,758)

NOTE 20 – ENCUMBRANCE COMMITMENTS

At June 30, 2014, the School District had encumbrance commitments in the governmental funds as follows:

<i>Major Fund</i>	
General	\$98,459
<i>Nonmajor Funds</i>	
Classroom Facilities Maintenance	3,373
Athletics	6,176
Race to the Top	17,140
Title I	10,827
Total Nonmajor Funds	37,516
Total Encumbrances	\$135,975

Northwest Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 21 – FINANCIAL CONDITION

The Ohio Department of Education declared the School District to be in a state of fiscal caution, effective August 10, 2012. This was based on mutual concern between the administration of the School District and the Ohio Department of Education about the possibility of ending fiscal year 2013 with a deficit, as well as the potential for deficits in future years. Fiscal year 2013 did result in a negative General Fund balance. The School District also experienced significant recurring losses for 2012 and 2013.

However, the School District was released from fiscal caution in June 2014 despite a negative fund balance in the General Fund of \$941,598 as of June 30, 2014 due to a net increase in fund balance in the General Fund for the year and due to the fiscal plan placed in operation by the School District during the fiscal year being acceptable to the Ohio Department of Education.

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Fiscal Year Ended June 30, 2014

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	2013/2014	10.553	\$166,945	\$0	\$166,945	\$0
National School Lunch Program	2013/2014	10.555	432,316	48,253	432,316	48,253
Total U.S. Department of Agriculture			599,261	48,253	599,261	48,253
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	2013	84.010	77,068	0	83,747	0
Title I Grants to Local Educational Agencies	2014	84.010	464,431	0	457,734	0
Total Title I Cluster			541,499	0	541,481	0
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2014	84.027	341,233	0	341,233	0
Improving Teacher Quality	2013	84.367	44,925	0	45,925	0
Improving Teacher Quality	2014	84.367	126,682	0	125,669	0
Total Improving Teacher Quality			171,607		171,594	
Rural Education	2014	84.358	24,810	0	23,831	0
Race to the Top - ARRA	2014	84.395	113,718	0	98,347	0
Total U.S. Department of Education			1,192,867	0	1,176,486	0
Total Federal Financial Assistance			1,792,128	48,253	1,775,747	48,253

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2014, the District received commodities inventory. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2014, the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3 - Nutrition Cluster

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Local School District (the District), Scioto County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

February 20, 2015

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Northwest Local School District (the District), Scioto County, compliance with the types of applicable 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 on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

The District's management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 applicable 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 on compliance for the District's major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Northwest Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the applicable requirements that could have a direct and material effect on each major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program 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 to detect and correct, noncompliance with an applicable 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 federal program's compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with an applicable compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

February 20, 2015

NORTHWEST LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under § .510?</i>	No
9.	<i>Major Programs (list):</i>	CFDA #10.553/10.555 Nutrition Cluster CFDA # 84.027 Special Education Cluster CFDA # 84.367 Improving Teacher Quality
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11.	<i>Low Risk Auditee?</i>	No

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

This page intentionally left blank.



Dave Yost • Auditor of State

NORTHWEST LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 21, 2015**