

THE NORTHWEST LOCAL SCHOOL DISTRICT

GENERAL INFORMATION

Introduction

The School District is primarily located in Stark County (the "County") in northeastern Ohio, approximately 20 miles from Canton, and the School District's territory overlaps the City of Canal Fulton (the "City").

The School District is an independent political subdivision of the State of Ohio and operates subject to the provisions of the Ohio Constitution and various sections of the Revised Code. Under such laws, there is no authority for the School District to have a charter or adopt local laws. The School District is not a part of, nor under the control of, the County or the City.

According to information supplied by OMAC, the School District contains portions of the assessed valuation of other subdivisions, as shown below:

Overlapping Subdivisions		
Northwest Local School District		
Subdivision	Subdivision's Assessed Valuation within the School District	School District's Assessed Valuation within the Subdivision
<i>Counties</i>		
Stark County	2.95%	81.02%
Summit County	0.39	18.22
Wayne County	0.09	0.75
<i>Other Subdivisions</i>		
Lawrence Township	73.15	45.01
Canal Fulton City	100.00	36.04
Clinton Village	100.00	9.20
New Franklin Village	7.58	9.01
Baughman Township	1.43	0.58
Chippewa Township	0.21	0.16
Akron Metro, Regional Transit Authority Misc.	0.39	--
Canal Fulton Library District Misc.	100.00	--
Multi-County Juvenile Attention System Misc.	1.56	--
Muskingum Watershed Conservancy District Misc.	0.70	--
Stark County Area Career Center District JVSD	20.55	--
Stark County Park District Misc.	2.95	--
Summit Metro Park District Misc.	0.41	--
Wayne Holmes County Mental Health District Misc.	0.06	--
Wayne Public Library District. Misc.	10.26	--

Source: Ohio Municipal Advisory Council

According to OMAC, the estimated population of the School District in 2006 was 13,940.

Map of Geographic Area



School District Officials

The legislative power of the School District is vested in the Board of Education (the "Board"), consisting of five elected at large for staggered four-year terms. Regular Board meetings of the Board are held the fourth Monday of each month. At the first meeting of each year, the Board elects a president and a vice president from its membership, each to serve a one-year term. The Board employs a Superintendent who serves as the executive officer for the Board and a Treasurer who serves as the chief fiscal officer for the Board.

School District Officials Northwest Local School District

Official	Office	Expiration of Current Term	Beginning of Tenure
Steven C. Jones	Board President	December 31, 2011	01/01/2006*
James Gindlesberger	Board Vice President	December 31, 2013	07/21/2008
Bruce Beadle	Board Member	December 31, 2013	01/01/2010
Rita Gearhart	Board Member	December 31, 2013	01/26/2009
Nicole Metzger	Board Member	December 31, 2011	03/28/2009
William D. Stetler	Superintendent	Contract	08/01/2008
Dan Levensgood	Treasurer	Contract	08/01/2009

* Also served on the Board from January 1, 1996 through December 31, 2003.

Source: Northwest Local School District

School District Employees

The School District currently has 147 certificated employees and 85 classified employees. In fiscal year 2009, salaries accounted for 61.08% of the School District's operating expenditures, while fringe benefits accounted for 20.81% of the School District's operating expenditures.

Certified Staff

Certified teaching staff is represented by the Northwest Teachers Association ("NTA") in labor negotiations with the School District. The NTA is affiliated with the Ohio Education Association and the National Education Association. The current labor agreement was reached in June 2010 and is effective through June 2013. The current agreement provided for no salary increases. However, if new continuing funds become available, contingencies provide for salary increases of 2.00% for the first year and 2.75% for the second and third years.

Classified Staff

Classified staff includes secretarial, clerical, custodial and cafeteria workers, as well as bus drivers and other non-teaching, non-administrative personnel. Classified staff are represented by the Ohio Association of Public School Employees, Chapter 229 ("OAPSE") in labor negotiations with the School district. The OAPSE is affiliated with the Ohio Education Association and is not affiliated with the National Education Association. The current labor agreement was reached in May 2009 and is effective

through May 2012. The current agreement provided for no salary increases. However, if new continuing funds become available, contingencies provide for salary increases of 2.00% for the first year and 2.75% for the second and third years.

Pension Obligations

Present and retired employees of the School District are covered under two statewide public retirement (including disability retirement) systems. The State Teachers Retirement System (the "STRS") is applicable to all teachers, principals, supervisors and administrators employed by the School District who are required to hold a certificate issued by the Department pursuant to the Revised Code. Other eligible employees are covered by the School Employees Retirement System (the "SERS"). Pursuant to federal law, all School District employees hired after March 31, 1986 are required to participate in the federal Medicare program which currently requires employee and employer contributions each equal to 1.45% of the employee's wages subject to the Federal Insurance Contribution Act ("FICA") wage limit. Otherwise, School District employees are not presently covered under the Federal Social Security Act.

STRS and SERS are not presently subject to the funding and vesting requirements of the Federal Employee Retirement Income Security Act of 1974.

Both STRS and SERS were created by and operate pursuant to Ohio law. The State legislature could determine to amend the format of either system and could revise rates or methods of contribution to be made by the School District into the pension funds and revise benefits or benefits levels.

School District Facilities

The School District presently operates the following schools:

Current School District Facilities
Northwest Local School District

Name of Building	Group/ Grades Housed	Enrollment (2009 – 2010)	Capacity	Number of Teachers	Pupil/ Teacher Ratio	Year Building Completed	Year(s) of Additions/ Renovations
Northwest Elementary	K-2	453	750	19	24:1	2005	N/A
Stinson Intermediate School	3-6	664	900	34	28:1	1964	1979/1995/1999
Northwest Middle School	7-8	343	600	22	22:1	1953	1970/1998
Northwest High School	9-12	756	1,100	40	24:1	2006	N/A
Total		2,216	3,350	115			

Source: Northwest Local School District

The School District is also currently utilizing 15,200 sq. ft. of modular classroom space.

Enrollment

The daily average enrollments for past school years, together with projected enrollments for future school years, are shown below.

Actual and Projected Enrollment Northwest Local School District

Grade	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12*	2012-13*
Pre-K								
K	200	168	165	153	143	150	163	162
1	151	213	174	170	145	146	155	167
2	166	164	211	170	165	148	151	159
3	168	166	166	210	158	168	153	155
4	171	169	159	163	200	161	173	157
5	173	175	182	157	153	203	166	177
6	190	182	187	186	153	156	208	170
7	174	194	189	187	172	156	161	212
8	217	180	197	180	171	175	161	165
9	219	232	188	202	180	174	180	165
10	223	223	232	176	194	183	179	184
11	173	200	187	218	172	197	188	183
12	158	176	194	212	210	175	202	192
Totals	2,383	2,442	2,431	2,384	2,216	2,192	2,240	2,248

* Projected.

Source: Northwest Local School District

Community School

The School District does not serve as a sponsor for a community school established under Revised Code Chapter 3314.

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Open Enrollment

The School District began allowing open enrollment in 1993. The table below displays the net result from open enrollment. School District officials expect that the open enrollment trends will stay the same in the next several years. Certain state funds provided for pupil support exit the School District with students who attend neighboring school districts through open enrollment. Likewise, the School District gains certain state pupil support funds as a result of the addition of students to the School District via open enrollment.

Enrollment Changes due to Open Enrollment Northwest Local School District

School Year	Students Open-enrolling into the School District	Students Open-enrolling out of the School District	Net Change due to Open Enrollment
2004-05	95	37	58
2005-06	109	38	71
2006-07	116	31	85
2007-08	116	20	96
2008-09	105	21	84
2009-10	95	39	56

Source: Northwest Local School District

Educational Program

The School District, which enrolls approximately 2,216 students, has been chartered by the Department since 1956. The School District provides educational programming for students in kindergarten through 12th grade.

The School District has been rated as "Excellent" by the Department for the last six years. The School District provides a comprehensive education reflecting the aforementioned excellence providing depth and breadth of programming for students at all grade levels. The scope and sequence of curriculum had led students to high achievement in all areas of standardized testing including the Ohio Graduation Test and American College Test (ACT).

Special education services meet all standards as set by the Department and the Federal Individuals with Disabilities Education Act. The needs of all students with Multifactorial Evaluation determined and diagnosed disabilities are met via the services of psychologists, highly qualified teachers and tutors. The staffing for these programs includes two psychologists, twelve Intervention Specialists and 10 tutors. All students are provided Individualized Educational Plans via the mandated ETR process. A total of 305 students are served in the overall special education programs, including students coping with learning disabilities, mental retardation, autism, and emotional disturbance.

Advanced Placement coursework has been offered since 1978. The majority of students earns scores of 3.10 or higher on the AP Final tests for college credit. Annually, over 100 students take part in the Advanced Placement course offerings. Our Advanced Placement teachers have attended summer workshops on a voluntary basis to improve their skills in imparting the knowledge in these challenging courses.

Dual credit offerings in mathematics are available under the auspices of Stark State College. Our faculty has undertaken the proper graduate work to receive appointment to adjunct status at Stark State College. On average, 50 students per year earn college credit concurrently with high school credit under this cooperative program.

State Performance Standards

According to the Department, the Local Report Card acts as a catalyst for analysis of school improvement and excellence by reporting on the performance of school districts. The Local Report Card includes federal No Child Left Behind requirements, such as full building-level accountability, Adequate Yearly Progress ("AYP"), and separate data reporting for students with disabilities and limited English proficient students. Every school district, building, and community school receives one of the following State designations indicating the general level of performance based on its Local Report Card data:

- Excellent with Distinction;
- Excellent;
- Effective;
- Continuous Improvement;
- Academic Watch; or
- Academic Emergency.

The State Superintendent is required to establish an independent Academic Distress Commission ("ADC") for any Academic Emergency school district that fails to meet AYP goals for four or more consecutive years. An ADC may exercise extraordinary authority over school district operations pursuant to Revised Code Section 3302.10, including the power to reassign or terminate administrators, override collective bargaining agreements and adopt a budget for school district expenditures.

The following table summarizes the School District's Local Report Card measures. Further explanation of the measures and a breakdown of the School District's performance on the State Indicators follows.¹

Local Report Card Summary, 2009-2010
Northwest Local School District

Number of State Indicators Met	25 out of 26 (96%)
Performance Index Score	100.2
Adequate Yearly Progress	Met
Value-Added Measure	- (Below)
Designation	Excellent

Source: Ohio Department of Education

¹ This discussion of state performance standards is provided for the convenience of the reader and only summarizes the process by which the Department reaches its designation for school districts. For more information about state performance standards, including more detail about the School District's performance, please see the Department's website relating to state and local report card reporting at <http://www.odc.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=279>.

The four measures summarized below are the basis for assigning State designations.

1. Number of State Indicators Met: Twenty-four of the 26 State Indicators are based on achievement tests and identify a minimum percentage of students that should be at or above the proficient level on third-, fourth-, fifth-, sixth-, seventh-, eighth-, tenth- and eleventh-grade tests. The remaining two State Indicators identify minimum graduation and attendance rates. The following table shows the School District's performance indicators. Any results at and above the State standard are shown in bold.

2009-2010 State Performance Indicators
Northwest Local School District

Performance Indicator	State Standard	School District	Performance Indicator	State Standard	School District	
<i>3rd Grade Achievement</i>			<i>8th Grade Achievement</i>			
1. Reading	75%	90.3%	12. Reading	75%	90.4%	
2. Mathematics	75	82.9	13. Mathematics	75	83.1	
<i>4th Grade Achievement</i>			14. Science	75	71.7	
3. Reading	75%	90.5%	<i>Ohio Graduation Test (10th Grade)</i>			
4. Mathematics	75	91.5	15. Reading	75%	92.4%	
<i>5th Grade Achievement</i>			16. Mathematics	75	95.1	
5. Reading	75%	85.4%	17. Writing	75	90.8	
6. Mathematics	75	78.8	18. Science	75	85.9	
7. Science	75	84.8	19. Social Studies	75	84.8	
<i>6th Grade Achievement</i>			<i>Ohio Graduation Test (11th Grade)</i>			
8. Reading	75%	86.4%	20. Reading	85%	97.6%	
9. Mathematics	75	81.6	21. Mathematics	85	97.0	
<i>7th Grade Achievement</i>			22. Writing	85	97.6	
10. Reading	75%	88.0%	23. Science	85	94.0	
11. Mathematics	75	83.8	24. Social Studies	85	94.0	
				25. Student Attendance Rate	93%	94.3%
				26. Graduation Rate*	90%	94.8%

* 2008-2009 graduation rate.

Source: Ohio Department of Education

2. Performance Index (PI): This measure records the achievement of every tested student, not just those who score proficient or higher. School districts earn points based on how well each student does on all tested subjects in grades 3-8 and the 10th Grade Ohio Graduation Test. Each achievement test has five performance levels: advanced, accelerated, proficient, basic, and limited. The School District's PI is a weighted score from 0 to 120 based on the number of students falling into each performance level. Students who are not tested earn zero points.

3. Value-Added Measure: This measure gauges the amount of academic improvement in the performance of students even though the School District may not have met the standard for student achievement. The Value-Added measure attempts to reflect student progress over time, whereas the State Indicators reflect student proficiency at a single point in time. The Value-Added measure is rated as follows:

+ (Above): school district has achieved more than one year of expected growth in student progress

✓ (Met): school district has achieved one year of expected growth in student progress

- (Below): school district has achieved less than one year of expected growth in student progress

A school district that achieves above expected growth in student progress for two consecutive years may increase its overall rating by one category.

4. AYP: The goal of the Department is for all students to reach the proficient level in reading and mathematics by 2013-2014. Until then, yearly goals are set requiring a specific percentage of students in 10 student groups, such as African American, Hispanic and White students, to reach proficiency in these subjects. For a school district to meet its Adequate Yearly Progress ("AYP") goal, goals for each student group must be met. If any goal is missed, the school district will not meet AYP for the year.

Determining the State designation for a school district is a two-step process. First, the combination of the percentage of State Indicators met, PI, and AYP for a school district determine its preliminary designation as follows:

Indicators Met		Performance Index Score		AYP Status		Preliminary Designation
94%-100%	or	100 to 120	and	Met or Not Met	=	Excellent
75%-93.9%	or	90 to 99.9	and	Met or Not Met	=	Effective
0%-74.9%	or	0 to 89.9	and	Met	=	Continuous Improvement
50%-74.9%	or	80 to 89.9	and	Not Met	=	
31%-49.9%	or	70 to 79.9	and	Not Met	=	Academic Watch
0%-30.9%	and	0 to 69.9	and	Not Met	=	Academic Emergency

For the 2009-2010 year, the School District met 96% of the State Indicators, scored a PI of 100.2 and met its AYP. The School District's preliminary designation was Excellent.

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Once a school district's preliminary designation is determined, the value-added measure determines the school district's final designation as follows:

Preliminary Designation		Value-Added Measure*	Final Designation
Excellent	and	Above expected growth for at least 2 consecutive years	Excellent with Distinction
		Below expected growth for at least 3 consecutive years	Effective
Effective	and	Above expected growth for at least 2 consecutive years	Excellent
		Below expected growth for at least 3 consecutive years	Continuous Improvement
Continuous Improvement	and	Above expected growth for at least 2 consecutive years	Effective
		Below expected growth for at least 3 consecutive years	Academic Watch
Academic Watch	and	Above expected growth for at least 2 consecutive years	Continuous Improvement
		Below expected growth for at least 3 consecutive years	Academic Emergency
Academic Emergency	and	Above expected growth for at least 2 consecutive years	Academic Watch
		Below expected growth for at least 3 consecutive years	Academic Emergency

* In all other cases, including if a school district's designation has been restricted to Continuous Improvement, then the Value-Added Measure will have no impact on the designation and the preliminary designation becomes the final designation.

The School District's value added measure was + (Above) in 2009-2010. The School District's final designation for 2009-2010 was Excellent.

National Standardized Test Scores

The following table sets forth ACT results for the 148 seniors who took the test and graduated from the School District in 2009.

ACT Scores for Seniors Graduating in 2009 Northwest Local School District

	School District	State of Ohio	United States
ACT Score Composite	21.9	21.7	21.1
English	20.9	21.1	20.6
Mathematics	22.1	21.4	21.0
Reading	22.4	22.2	21.4
Science	21.6	21.7	20.9
Percent of students tested ready for college level courses			
English Composition	68%	72%	67%
Algebra	50	46	42
Social Science	60	58	53
College Biology	30	33	28
All 4 classes	24	26	23

Sources: ACT and the Northwest Local School District

Comparative Position of the School District

The following tables compare the School District with its similar district cohort (as defined by the Department) and the State average in the areas of sources of revenue, expenditures by category, and teacher statistics.

Sources of Revenue, 2008-2009 Northwest Local School District

	School District	Similar Districts	State of Ohio
State Funding	\$4,424.00	\$4,696.75	\$4,667.94
Local Funding	3,109.00	3,279.43	4,942.01
Federal Funding	404.00	431.37	822.13

Source: Ohio Department of Education

Expenditures by Category, 2008-2009 Northwest Local School District (Dollars per Pupil)

	School District	Similar Districts	State of Ohio
Administration	\$1,073.00	\$1,045.85	\$1,196.47
Building Operations	1,259.00	1,676.98	2,004.04
Instruction	4,651.00	4,824.77	5,676.11
Pupil Support	603.00	728.44	1,046.48
Staff Support	24.00	188.75	330.47
Total Spending Per Pupil	\$7,610.00	\$8,464.79	\$10,253.57

Source: Ohio Department of Education

Teacher Statistics, 2008-2009 Northwest Local School District

	School District	Similar Districts	State of Ohio
Teachers' Salaries			
Average teacher salary	\$56,324.92	\$52,750.23	\$55,583.44
Teaching experience			
0-4 years	6.80%	24.40%	21.22%
4-10 years	15.30	19.42	18.67
10 + years	77.90	56.17	60.10
K-12 Pupil-Teacher Ratio*	20.36	19.42	18.47

* Fiscal year 2007-2008.

Source: Ohio Department of Education

ECONOMY AND EMPLOYMENT

Economic Development

The majority of the School District is located in the Canton-Massillon Metropolitan Statistical Area (the "MSA"), which consists of Carroll and Stark Counties.

The School District's economy benefits from the strong retail, manufacturing and warehousing bases of the County and surrounding areas. The County is located in the northeastern quadrant of the State, twenty miles from Akron and fifty-three miles from Cleveland. The area's well-established transportation network, with travel by rail, air, water and land, provides access to markets near and far. The County is also home to the Akron-Canton Regional Airport, and state-of-the-art, twenty-eight acre Northeast Ohio Intermodal Terminal ("NEOMODAL"), and Foreign Trade Zone No. 181. The incentives available to businesses located in Foreign Trade Zone No. 181 (an area which includes over 800 acres of prime industrial and commercial sites around the County) include reduced or deferred duty for goods that pass through the Foreign Trade Zone 181 and exemption from State ad valorem taxes.

The County is a prominent participant in regional development initiatives. The County is a member of the Northeast Ohio Trade and Economic Consortium ("NEOTEC") which is a ten-county economic development partnership. Member counties include Ashtabula, County, Columbiana County, Mahoning County, Medina County, Portage County, Richland County, Stark County, Summit County, Trumbull County and Wayne County. Major cities within NEOTEC member counties include Akron, Canton, Cleveland, East Liverpool, Kent, Mansfield, Medina, Warren, Wooster and Youngstown. NEOTEC's mission is the promotion of domestic trade, international trade and global competitiveness of the region and its businesses. Additionally, the County derives benefit from its partnership in the ClevelandPlus initiative a regional effort to promote residential and commercial growth in Northeast Ohio.

The County serves as home to several prestigious institutions of higher learning: Malone College, Walsh University, Mount Union College, Kent State University, the University of Akron and Stark State College of Technology ("Stark State College"). The strength of these institutions has increased the strength of the County and that of the region as the research efforts and technological innovations borne within their halls enhance the region's competitive advantage in the economies of tomorrow. Particularly, the County has established itself as a leader in supporting research, development and commercialization of fuel cell technology. Stark State College is home to a \$4.4 Million Fuel Cell Prototyping Center and served as the 2009 host of the annual Ohio Fuel Cell Symposium. The Ohio Building Authority recently approved a \$20,145,000 bond sale to fund extensive building projects on the campus of Stark State College, which the college intends to use to construct two academic buildings, renovate classrooms and student services areas and construct parking lots.

The national economic downturn of the past couple years has not left the County unscathed. In March 2009, the Timken Company, with headquarters in Canton, announced intentions to reduce its workforce worldwide in order to streamline operations sufficiently to preserve its profitability given the national recession. The Company projected a reduction of 400 salaried positions and reduction of its manufacturing workforce by approximately 2,500 in 2009. Due to their efforts to improve their efficiency, the Timken Company's economic outlook for 2010 is very optimistic that it will recover at a rate unexpected a year ago. Timken recently announced plans to acquire an existing company to further expand around the country and are planning a \$50 million investment in their Canton-based steel operations.

The City of Canal Fulton serves the surrounding rural area as an education, retail, and transportation center. Several industries are located in the City, but most of the residents commute to work outside the community. In the 1990's, communities along the Ohio-Erie Canalway began working together to reconstruct the old canal towpath into a multi-use trail. Now with most of this trail completed in Cuyahoga, Summit, and Stark Counties, the City has become a destination for cyclists, hikers, equestrian, and bird watchers throughout the region. Tourism has become a major factor in the City's commercial life, with its many quaint shops lining Canal Street. Rides on the St. Helena III, one of only four working canal boats in Ohio, also draws tourists from across the state.

Labor Force Statistics

Unemployment and labor force statistics specific to the School District are not available. The County and the MSA information presented in this section is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the School District is representative of the County or the MSA, or vice versa. The following statistics are not seasonally adjusted.

Area Unemployment Rates (annual percentages)					Labor Force (in thousands)	
Year	Stark County	MSA	State of Ohio	United States	Year	Stark County
2001	4.3	4.4%	4.4%	4.7%	2001	193.6
2002	5.9	5.9	5.7	5.8	2002	192.3
2003	6.7	6.8	6.2	6.0	2003	190.9
2004	6.6	6.6	6.1	5.5	2004	189.8
2005	6.3	6.4	5.9	5.1	2005	189.8
2006	5.7	5.7	5.4	4.6	2006	189.7
2007	5.8	5.8	5.6	4.6	2007	191.6
2008	6.7	6.8	6.6	5.8	2008	192.2
2009	11.2	11.4	10.2	9.3	2009	192.1
2010*	12.5	12.6	10.9	9.9	2010*	190.3

* Preliminary average through July 2010.

Source: Ohio Department of Job and Family Services,
Bureau of Labor Market Information

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Largest Employers

The following table lists the fifty largest employers in the County.

Largest Employers Stark County

Rank	Firm	Number of Employees	Industry
1.	Cleveland Clinic	32,000	Health care provider
2.	U.S. Office of Personnel Mgmt	13,849	Federal government
3.	University Hospitals/Cleveland	12,970	Healthcare system
4.	Giant Eagle, Inc.	10,319	Grocery store chain
5.	State of Ohio	10,201	State government
6.	Cuyahoga County	8,956	County government
7.	Progressive Corp.	8,795	Insurance and financial company
8.	City of Cleveland	8,232	Municipal government
9.	United States Postal Service	8,195	U.S. Postal Service
10.	Summa Health System	8,079	Health care provider
11.	Group Management Services, Inc.	6,507	Professional employer organization
12.	KeyCorp	5,973	Bank holding company
13.	FirstEnergy Corp.	5,384	Electric utility holding company
14.	MetroHealth System	5,379	Health care provider
15.	Kent State University	5,001	Higher education
16.	Case Western Reserve University	4,755	Higher education
17.	Timken Co.	4,262	Friction / power transmission products/srvcs
18.	Summit County	4,164	County government
19.	Akron General Health System	4,076	Integrated health care delivery system
20.	Ford Motor Co.	3,800	Automobile manufacturer
21.	Swagelok Co.	3,600	Design/mfg industrial fluid systems
22.	Akron Children's Hospital	3,070	Pediatric Health System
23.	Sherwin-Williams Co.	3,003	Coatings and related products
24.	Goodyear Tire & Rubber Co.	3,000	Tire manufacturer
25.	University of Akron	2,573	Higher education
26.	YRC Worldwide, Inc.	2,514	Transportation service provider
27.	UHHS-CSAHS-Cuyahoga Inc.	2,500	Health care provider
28.	Lincoln Electric Holdings Inc.	2,453	Mfg of arc welding and cutting products
29.	Greater Cleveland Reg'l Transit Auth.	2,299	Public transportation
30.	The Babcock & Wilcox Co.	2,295	Nuclear and renewable power
31.	J.C. Penney Co.	2,274	Department store
32.	American Greetings Corp.	2,200	Greeting cards; character licensing
33.	Sterling Jewelers Inc.	2,193	Retail jewelry
34.	City of Akron	2,154	Municipal government
35.	Lorain County	2,152	County government
36.	Parker Hannifin Corp.	2,085	Fluid power systems, electromechanical
37.	Diebold Inc.	2,055	Integrated self-service delivery systems
38.	Cuyahoga Community College	2,031	Higher education
39.	The Lubrizol Corp.	2,022	Specialty chemical
40.	Medical Mutual of Ohio	1,950	Health insurance
41.	Continental Airlines	1,947	Airline
42.	Mercy Medical Center	1,865	Health care provider
43.	Rockwell Automation Inc.	1,794	Industrial automation control/info solutions
44.	InfoCision Management Corp.	1,730	Inbound/outbound call center provider
45.	Eaton Corp.	1,727	Electrical, hydraulic, aerospace, truck, auto
46.	Parma City School District	1,700	Public school system
47.	Lake County	1,671	County government
48.	Fred W. Albrecht Grocery co.	1,667	Retail grocery and pharmacy stores
49.	Allstate Insurance Co.	1,648	Financial services and insurance
50.	Nestle Prepared Foods Co.	1,643	Food manufacturing

Source: Stark County – 2008 Annual Report

SCHOOL DISTRICT PROPERTY TAX BASE

Ad Valorem Taxes and Assessed Valuation

Overview

For property taxation purposes, assessment of real property is performed on a calendar year basis by the elected County Auditor subject to supervision by the Tax Commissioner, and assessment of public utility property and tangible personal property is performed by the Tax Commissioner. Property taxes are billed and collected by the County Treasurer.

Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of that second year preceding the tax collection year. Beginning with the 2009 tax year, general business tangible personal property is no longer subject to tax.

Real Property

The "assessed valuation" of real property is fixed at 35% of true value and is determined pursuant to rules of the Tax Commissioner, except that real property devoted exclusively to agricultural use is assessed at not more than 35% of its current agricultural use value. Beginning in 2008, certain elderly or disabled resident homeowners may receive a flat \$25,000 property tax exemption on the market value of their homestead.

Ohio law requires the County Auditor, subject to supervision by the Tax Commissioner, to adjust the true value of taxable real property every six years to reflect current fair market values. This "sexennial reappraisal" is done by individual appraisal of properties. In the third year following a sexennial reappraisal, the County Auditor, again subject to supervision by the Tax Commissioner, performs a "triennial update" to adjust the value of taxable real property to reflect true values. The triennial update is done without individual appraisal of properties, but with reference to a sales-assessment ratio over the three-year period.

Personal Property

In 2005, the State accelerated its phase-out of the tangible personal property tax. The assessment percentages on tangible personal property under the phase-out are displayed in the following table:

Phase-Out Assessment Percentages on Tangible Personal Property

Tax Year	2005	2006	2007	2008	2009	2010	2011
Inventory	23%	18.75%	12.5%	6.25%	0%	0%	0%
Machinery, equipment, and all other business tangible	25%	18.75%	12.5%	6.25%	0%	0%	0%
Local telephone company property placed into use after 1995 and all long distance and cellular property	25%	25%	20%	15%	10%	5%	0%
Telephone company legacy property	67%	46%	20%	15%	10%	5%	0%

Source: Ohio Department of Taxation

After 2011, tangible personal property will not be subject to tax.

Public utility tangible personal property – tangible personal property of electric utilities not used for transmission and distribution and all tangible personal property of gas utilities – was not included in the phase-out created by the State. All public utility tangible personal property is assessed at varying percentages of its true value depending on the type of property and the type of utility.

The State currently reimburses School Districts for tax losses resulting from the phase-out of the tangible personal property tax. (See "SCHOOL DISTRICT PROPERTY TAX BASE – State Reimbursement of Property Tax Revenues.")

Tax Abatements and Economic Development Incentives

Tax abatements are temporary property tax exemptions designed to stimulate economic growth or promote other activities deemed by the State to be in the public interest. Under Ohio law, tax abatements may be granted for urban renewal projects, community redevelopment corporations, community reinvestment areas, property acquired by municipal corporations engaged in urban redevelopment, enterprise zones, railroad property, and for any improvements declared to serve a "public purpose" in municipalities, townships, and counties.

Because the burden of tax abatements falls disproportionately on school districts due to their reliance on property taxes, the State has created safeguards that allow school districts to protect their interests. First, school district representatives sit on tax incentive review councils to monitor compliance with tax abatement agreements and make recommendations on abatements to the governmental entity involved. Second, a school district must be given advance notice of a planned abatement, and be allowed to comment on the abatement prior to its granting. Under certain circumstances, a board of education may "veto" a proposed tax abatement and/or negotiate an annual compensation payment. Finally, municipalities with an income tax in place must negotiate a compensation agreement with a school district if a tax abatement is expected to generate a significant amount of increased payroll to the area.

The table below summarizes the tax abated real property within the School District:

Summary of Tax Abatements
Northwest Local School District
(2010 Collection Year)

Property Owner	Tax Year Begin	End After Tax Year	Abatement Percentage	Assessed Valuation of Property
Avalon Foods	2003	2012	100%	\$3,819,800 (entire) \$741,900 (abated)
Total				

Source: Northwest Local School District

Assessed Valuation

The following table classifies the School District's assessed valuation of taxable property according to use:

Assessed Valuation Northwest Local School District (2010 Collection Year)

Property Classification	Amount	Percent of Total Assessed Valuation
<i>Real Estate</i> ¹		
Residential/Agricultural	\$228,924,030	85.18%
Commercial/Industrial/Mineral	32,546,180	12.11
Public Utility Real	<u>81,300</u>	<u>0.03</u>
Total Real Estate	\$261,551,510	97.32%
<i>Personal Property</i> ²		
General	\$ 498,370	0.19%
Public Utility Personal	<u>6,708,440</u>	<u>2.50</u>
Total Personal	\$7,206,810	2.68%
Total Assessed Valuation	\$268,758,320	100.00%

Source: Ohio Department of Taxation

Historic Growth in Assessed Valuation Northwest Local School District

Tax Collection Year	Assessed Valuation	Percent Increase Over Prior Year
2004 ³	\$244,583,130	--
2005	247,797,161	1.31%
2006	256,406,347	3.47
2007 ⁴	277,450,880	8.21
2008	279,118,068	0.60
2009	271,837,980	(2.61)
2010 ³	268,758,320	(1.13)

Source: Ohio Department of Taxation

¹ Real property taxes collected in a calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Real property is assessed at 35% of market value and reappraised every six years, with triennial updates every three years.

² Tangible personal property taxes collected in a calendar year are levied in the same calendar year, on assessed values during and at the close of the most recent fiscal year of the taxpayer (ending on or before March 30 of said calendar year) at tax rates determined in the preceding year.

³ Year of triennial update.

⁴ Year of sexennial reappraisal.

Largest Taxpayers

The following tables list the largest real estate and public utility taxpayers in the School District. Percentages of total assessed valuation are based on a total assessed valuation of \$268,758,320 for the 2010 collection year.

Largest Taxpayers
Northwest Local School District
(2010 Collection Year)

Real Estate Taxpayers

Name	Type of Business	Assessed Valuation	Percent of School District's Total Assessed Valuation
Schalmo Properties, Inc.	Real Estate	\$5,987,780	2.23%
Rolinda Co LTD	Retail	2,193,820	0.82
NLP Acquisition LLP	NA	1,460,200	0.54
Avalon Food Service, Inc.	Food Distribution Systems	1,077,310	0.40
United Church Homes, Inc.	Retirement Living	980,990	0.37
Thomas & Priscilla Rohr	NA	955,260	0.36
G&B Properties, Inc.	Real Estate	819,760	0.31
Khelph Properties LTD	Real Estate	725,460	0.27
Ervin K Vandenberg	NA	678,760	0.25
Madison Home Associates	Real Estate Developer	659,830	0.25

Public Utility Taxpayers

Name	Type of Business	Assessed Valuation	Percent of School District's Total Assessed Valuation
Ohio Edison	Electricity	\$2,012,730	0.75%
East Ohio Gas	Gas	911,540	0.34
American Transmission Systems, Inc.	Electricity	292,470	0.11

Source: Stark County Auditor

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History of Voted Taxes

The table below provides the 20-year history of voted taxes in the School District. Issues listed in **bold** were passed by the voters.

History of Voted Taxes Northwest Local School District

Election Date	Levy or Bond Issue Description	Voting For	Voting Against
May 4, 2010	1.0% Current Expense Income Tax	58.26%	41.74%
May 5, 2009	12.90 Mill Emergency Levy (New)	47.05	52.95
February 3, 2009	12.80 Mill Emergency Levy (New)	45.72	54.28
November 4, 2008	12.80 Mill Emergency Levy (New)	47.78	52.22
March 4, 2008	0.75% Current Expense Income Tax	40.33	59.67
November 6, 2007	6.00 Mill Current Expense (Renewal)	42.66	57.34
May 8, 2007	5.90 Mill Current Expense (Replacement)	42.91	57.09
May 8, 2007	5.60 Mill Emergency Levy (Renewal)	50.36	49.64
February 6, 2007	5.90 Mill Current Expense Levy (Renewal)	42.79	57.21
November 7, 2006	5.90 Mill Current Expense Levy (Renewal)	41.43	58.57
August 8, 2006	11.40 Current Expense Levy (Renewal)	35.59	64.41
November 8, 2005	7.80 Mill Emergency Levy (New)	31.29	68.71
November 4, 2003	3.00 Mill Permanent Improvement Levy (Renewal)	56.37	43.63
May 7, 2002	\$23,000,000 New Elementary School Bond Issue	59.01	40.99
November 6, 2001	7.20 Mill Emergency Levy (Renewal)	59.51	40.49
August 8, 2000	\$21,500,000 Site Improvements Bond Issue	42.04	57.96
March 7, 2000	\$21,500,000 Site Improvements Bond Issue	45.90	54.10
November 7, 2000	0.5% Income Tax (Renewal)	53.83	46.17
November 2, 1999	\$21,500,000 New High School Construction Bond Issue	46.66	53.34
May 4, 1999	\$21,500,000 School Facilities & Sites Bond Issue	40.58	59.42
November 3, 1998	3.00 Mill Permanent Improvement Levy (Renewal)	50.33	49.67
November 3, 1998	\$21,500,000 Site Improvements Bond Issue	36.37	63.63
May 5, 1998	\$21,500,000 Site Improvements Bond Issue	32.11	67.89
November 4, 1997	\$21,500,000 Site Improvements Bond Issue	36.04	63.96
March 19, 1996	10.20 Mill Emergency Levy	61.90	38.10
May 3, 1994	3.00 Mill Permanent Improvement Levy (Renewal)	53.38	46.62
November 2, 1993	3.00 Mill Permanent Improvement Levy (Renewal)	46.56	53.44
August 4, 1992	12.80 Mill Emergency Levy (New)	51.10	48.90
June 2, 1992	12.80 Mill Emergency Levy (New)	48.50	51.50
November 5, 1991	6.30 Mill Current Expense Levy (New)	36.59	63.41
August 6, 1991	12.20 Mill Current Expense Levy (New)	23.71	76.29
May 7, 1991	6.50 Mill Current Expense Levy (New)	28.49	71.51
November 6, 1990	12.20 Mill Current Expense Levy (New)	32.26	67.74
August 7, 1990	1% Income Tax	20.20	79.80

Source: Ohio Municipal Advisory Council

The School District anticipates placing a five-year emergency levy on the ballot in May 2011.

Property Tax Rates and Collections

The following are the rates (in mills per \$1.00 of assessed valuation) at which the School District levied ad valorem taxes for the general categories of purposes in recent years (without the reduction factor discussed below).

Property Tax Rates Northwest Local School District

Collection Year	Operating*	Debt Retirement	Permanent Improvement	Total
2004	50.80	7.00	3.00	60.80
2005	50.60	6.60	3.00	60.20
2006	50.00	6.60	3.00	59.60
2007	49.70	6.30	3.00	59.00
2008	49.90	6.30	3.00	59.20
2009	49.90	5.60	3.00	58.50
2010	48.50	5.50	1.50	55.50

* Includes inside millage and outside (voted) millage.

Source: Ohio Department of Taxation

The total School District operating millage of 48.50 mills for collection year 2010 includes voted operating levies of 45.30 mills, 5.60 mills of which relate to the emergency levy approved in 2007 for collection years 2008-2012. The balance of 3.20 mills constitutes the School District's mandated share of the ten mills authorized to be levied without a vote of the electors of the School District (See "SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS – Statutory Debt Limitations Generally – Indirect Debt limitation" herein.)

The following table identifies the historical tax collections for the School District (Stark County only):

Property Tax Collections Northwest Local School District (Stark County Only)

Collection Year	Assessed Valuation	Taxes Levied	Taxes Collected (including delinquent taxes)	Collection Rate
2003	\$221,270,183	\$8,112,599	\$7,891,624	97.28%
2004	243,503,031	8,779,024	8,542,348	97.30
2005	248,351,215	8,877,919	8,609,268	96.97
2006	252,695,658	8,731,304	8,501,124	97.36
2007	273,532,341	7,412,856	7,199,428	97.12
2008	272,813,984	7,279,334	7,108,475	97.65

Source: Stark County Auditor

Property Tax Rate Calculations

State law has a "reduction factor" mechanism that is intended to negate increases in taxes resulting from increases in the true value of real property due solely to inflation. Legislation implementing a 1980 constitutional amendment classifies real property as either (1) residential and agricultural or (2) all other real property, and provides for tax reduction factors to be separately computed for and applied to each class.

Statutory procedures limit the amount realized by each taxing subdivision from real property taxation, by the application of a tax reduction factor, to the amount realized from those taxes in the preceding year plus: (i) the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year, and (ii) amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year. Such limitations are expressly inapplicable to amounts realized from taxes levied at a rate required to produce a specified amount, such as for debt service charges or emergency school levies, and from taxes levied inside the ten-mill limitation or any applicable municipal charter tax rate limitation. Further, such limitations will not reduce operating millage for school districts below 20 mills or for joint vocational school districts below 2 mills.

A reduction factor is computed for each separate levy that is subject to the limitation. A resulting "effective tax rate" reflects the aggregate of those reductions, and is the rate at which real property taxes are in fact collected. Real property tax amounts are further reduced by an additional 10% (12-1/2% in the case of certain owner-occupied residential property) or a flat, \$25,000 reduction in taxable value applicable to certain elderly or disabled resident homeowners. See "SCHOOL DISTRICT PROPERTY TAX BASE – State Reimbursement of Property Tax Revenues" for a discussion of reimbursement by the State for these reductions.

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Ad Valorem Tax Levies

The following table presents certain information concerning the School District's ad valorem tax levies:

Ad Valorem Tax Levies
Northwest Local School District
Current Millage Rates (2010 Collection Year)

Year Voted	Authorized Mills	Rate Levied for Current Collection Year ¹	
		Residential/ Agricultural	Commercial/ Industrial
1976 ²	26.700	9.979098	9.480662
1980	6.000	3.032172	3.077436
1987	6.900	3.788755	4.241913
2007	5.700	5.700000	5.700000
Total Voted Operating Millage	45.300	22.500025	22.500011
Inside (Unvoted) Millage	3.200	3.200000	3.200000
Voted Bond Retirement Millage	5.500	5.500000	5.500000
Permanent Improvement Millage	1.500	1.500000	1.500000
Total Rate	55.500	32.700025	32.700011

¹ This is the "effective rate." The effective tax rates may be less than the authorized rates listed in the first column. See "FINANCES OF THE SCHOOL DISTRICT - Property Tax Rate Calculations."

² Ohio Department of Taxation does not report the years in which operating levies approved prior to 1976 were voted, thus operating levies approved prior to 1976 are aggregated in this line

Source: Ohio Department of Taxation

Repeal of Property Tax Levies

Each operating tax levy approved for a continuing period is subject to decrease through a statutory referendum procedure requiring (1) a petition signed by qualified electors of the School District equal in number to those who voted in the last governor's race (to be filed at least 75 days before the general election in any year) stating the amount of the proposed decrease and (2) the approval of the decrease by a majority vote at the general election with the decrease to commence at the expiration of the then current year. No petition has been filed with respect to any existing current expense tax levy of the School District.

If such a petition is filed and subsequently approved by the electors of the School District, under Revised Code Section 5705.261, the Board must continue to levy and collect such amount as will be sufficient to pay the principal of and interest on any notes in anticipation of an increased rate of levy approved for a continuing period of time.

Total Property Tax Burden

The following table displays the total effective tax rates levied on property located in the School District. In addition to the 55.50 mills levied by the School District, properties in the School District are subject to a county tax levy, a joint vocational school district ("JVSD") levy, and taxes levied by other overlapping political subdivisions.

Ad Valorem Tax Levies Northwest Local School District (mills per \$1.00 of assessed valuation; 2010 Collection Year)

Taxing District	Taxing Authority					Total	Effective Rates	
	School District	County	JVSD	Township	Other*		Residential & Agricultural	All Other
Lawrence Twp. – Stark County	55.50	11.50	2.00	13.80	1.50	84.30	58.038621	59.215215
Lawrence Twp. – Canal Fulton Village – Stark County	55.50	11.50	2.00	0.60	5.20	74.80	49.365671	49.788842
Lawrence Twp. – Canal Fulton City - Stark County	55.50	11.50	2.00	0.00	5.20	74.20	48.765671	49.188842
New Franklin City – Canal Fulton Schools - Summit County	55.50	12.70	2.00	0.00	17.11	87.31	59.697830	60.021.70

* "Other" includes any taxes levied by the City, Village, County 911 Services; Fire Districts; the County Health District; County Community College District; Township Cemetery Districts; and the Library District.

Source: Ohio Department of Taxation

State Reimbursement of Property Tax Revenues

Rollback and Homestead Exemption Reimbursement

The State reimburses taxing districts, including school districts, for decreased tax revenues due to (a) the 10% reduction or "rollback" in non-commercial property taxes, (b) the 2-1/2% reduction applicable to owner-occupied housing, and (c) the flat, \$25,000 reduction in taxable value applicable to certain elderly or disabled homeowners. Such reimbursements are subject to repeal or revision by the State.

Public Utility Property Tax Loss Reimbursement

In tax year 2001, changes took effect which reduced the assessment percentages applicable to electric generation and natural gas tangible personal property, thereby reducing the amount of tangible public utility property tax revenue collected by taxing districts. In order to replace the taxes no longer received due to the lower assessment percentages, State consumption taxes on electricity and natural gas were enacted in 1999 and 2000, respectively.

Funds received by school districts from the School Foundation Program ("State Aid") are determined by a complex funding formula (see "OTHER SOURCES OF SCHOOL DISTRICT FUNDING – School Foundation Program" for further discussion). Under this funding formula, decreases in property tax revenues generally result in an increase in State Aid, but such increase is not sufficient to completely offset the decrease in a school district's revenues due to the reduction in the assessment

percentages of public utility property. As a result, the Department has calculated an "offset" since 2002 that provides funds to a school district such that the school district realizes no loss in revenues due to the reduction in assessment percentages of public utility property (the "Public Utility Property Tax Loss Reimbursement"). If the increase in State Aid paid to the school district between fiscal year 2002 and the current fiscal year is greater than the inflation-adjusted loss attributable to the reduced assessment percentages for the same time period, no further reimbursement payments are made to the school district. No Public Utility Property Tax Loss Reimbursement will be made after fiscal year 2016.

Tangible Personal Property Tax Loss Reimbursement¹

The State reimburses certain taxing districts for the loss of tax revenues due to the phase-out of the tax on general business tangible personal property, and on the tangible personal property belonging to telephone, telegraph, and interexchange companies (the "Tangible Personal Property Tax Loss Reimbursement"; see "Ad Valorem Taxes and Assessed Valuation – Personal Property," above). In order to replace a portion of the lost revenue, a commercial activity tax was enacted in 2005 and is imposed on gross receipts, including receipts of services, in the State. The Tangible Personal Property Tax Loss Reimbursement applies to levies that were in effect for the collection of tangible personal property taxes for Tax Year 2004, Tax Year 2005, and any levies first collected in Tax Year 2006 that were approved by voters prior to September 1, 2005 ("Qualifying Levies").

The Tangible Personal Property Tax Loss Reimbursement uses Tax Year 2004 as a base year to calculate the amount of property tax revenue lost from the tangible personal property phase-out in each subsequent tax year. Fixed-rate levies are reimbursed as a percentage of the sum of the product of qualified levies and the Tax Year 2004 valuation of tangible personal property (the "Base Year Amount") according to the table below:

**Percent of Base Year Amount of Revenue to School Districts
by Tax Year and Class of Property – Fixed-Rate Levies**

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Inventory Reimbursement	106.5%	104.9%	96.1%	85.0%	73.9%	73.9%
Manufacturing M & E	100.0	100.0	100.0	100.0	100.0	100.0
Telephone Company Property	100.0	104.0	129.0	96.4	119.5	101.9
All Other Property	100.0	100.0	100.0	100.0	100.0	100.0

Beginning in fiscal year 2008, Tangible Personal Property Tax Loss Reimbursement payments to school districts are offset by the funding formula increase in State Aid resulting from decreased assessed valuation due to the tangible personal property phase-out.²

The Tangible Personal Property Tax Loss Reimbursement operates in a different manner with respect to fixed-sum levies. Under existing levy law, a drop in valuation triggers an increase in tax rates for fixed-sum levies. The Tangible Personal Property Tax Loss Reimbursement with respect to Qualifying Levies that are of a fixed sum ("Qualified Fixed-Sum Levies") serves to limit such increase to taxpayers resulting from the tangible personal property phase-out to one-half mill. If the aggregate millage of a school district's Qualified Fixed-Sum Levies times the decrease in assessed valuation resulting from the

¹ This section only provides a brief summary of the State's Tangible Personal Property Tax Loss Reimbursement procedures. Please see http://tax.ohio.gov/divisions/personal_property/PPT_law_changes_070303.stm for further information.

² For a detailed description of the Department's methodology for calculating the offset, please see <http://education.ohio.gov/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=98&ContentID=59562&Content=79484>.

tangible personal property phase-out exceeds one-half mill of total assessed valuation in the tax year being considered (the "One-Half Mill Threshold"), the State will reimburse the school district 100% of the amount in excess of the One-Half Mill Threshold for the life of the fixed-sum levy.

OTHER SOURCES OF SCHOOL DISTRICT FUNDING

School Foundation Program

The State assists public school districts under a statutory program that includes the School Foundation Program.¹ School Foundation Program funds distributed to a school district are required to be used for current operating expenses, unless specifically allocated by the State for some other purpose. Payments made pursuant to the School Foundation Program are expected to increase due to the projected increase in need resulting from the accelerated phased elimination of the tax on tangible personal property. State reimbursement of property tax losses paid to school districts will be reduced by this increase, if any, in School Foundation Program receipts. (See "SCHOOL DISTRICT PROPERTY TAX BASE – State Reimbursement of Property Tax Revenues.")

Basic eligibility for School Foundation Program payments is based on a school district's compliance with State-mandated minimum standards. The School District is in compliance with those standards and has no reason to believe it will not remain in compliance.

The State also assists school districts by funding the School District Solvency Assistance Fund (the "Solvency Fund"). Created within the Solvency Fund is the School District Shared Resource Account and the Catastrophic Expenditures Account. A school district must be in a state of "fiscal emergency" to qualify for assistance and grants from the School District Shared Resource Account. A school district may qualify for assistance and grants from the Catastrophic Expenditures Account if the school district suffers an unforeseen catastrophic event that severely depletes the financial resources of the school district. School districts receiving assistance and grants from the Solvency Fund are required to repay such advances no later than the end of the second fiscal year following the fiscal year in which they received the assistance and grants, and if they fail to do so, the State will repay the Fund from amounts the school district would otherwise receive pursuant to the School Foundation Program. The School District does not have any outstanding advances from the Solvency Fund. The Solvency Fund, with the exception of the Catastrophic Expenditures Account, evolved from statutes declared unconstitutional in *DeRolph*. (See "LITIGATION – School Funding Litigation.")

State Classroom Facilities Assistance

The Ohio School Facilities Commission (the "Commission") was created in 1997 to administer the provision of financial assistance to Ohio school districts for the acquisition or construction of classroom facilities in accordance with Revised Code Chapter 3318. Revised Code Chapter 3318 provides for several different school facilities assistance programs involving financial assistance from the State. These programs include the Classroom Facilities Assistance Program, the Exceptional Needs School Facilities Assistance Program, and the Expedited Local Partnership Program. Each of these programs provides State funding for all or a portion of qualifying school facilities projects based on financial tests, inadequate facilities, or a combination of the two. Participation in these programs also requires the school district to commit to adhere to Commission requirements for project construction.

¹ The Supreme Court of Ohio has declared the School Foundation Program unconstitutional. See "LITIGATION - School Funding Litigation."

Classroom Facilities Assistance Program

Under the Classroom Facilities Assistance Program (the "Facilities Program"), the State and a school district share the cost of classroom facilities for the school district. (The Supreme Court of Ohio has declared the Classroom Facilities Assistance Program to be unconstitutional to the extent that it is underfunded. See "LITIGATION - School Funding Litigation"). The State share and school district share, or local share, for such facilities are determined after the Commission conducts an on-site assessment of the school district's current classroom facilities. With this assessment, the Commission establishes a master classroom facilities plan, including state and local share amounts, for the school district.

The Commission approves a new group of school districts for classroom facilities assistance every calendar year based on a three-year average of each school district's adjusted per pupil valuation. This adjusted per pupil valuation ranking is calculated annually by the Department.

Once approved by the Commission, a school district may meet its local share obligation from bonds or other local resources. In the event that a school district chooses to meet its local share obligation via bonds, generally the school district must only issue bonds in an amount equal to the greater of: (1) an amount that increases the total net indebtedness of the school district to within \$5,000 of the required level of indebtedness under the Facilities Program; or (2) an amount equal to the required percentage of basic project cost, as defined by the Facilities Program. In addition, the Facilities Program also generally requires the school district to comply with certain other requirements, including generating funds to maintain the school facilities for a 23 year period using either: (1) a voted one-half (1/2) mill levy for maintenance purposes; (2) earmarking an existing continuing permanent improvement levy or income tax (or a combination of the two) in an amount equivalent to the amount produced by a one-half (1/2) mill property tax levy; (3) a local donated contribution in whole or in part; or (4) an annual transfer, upon Commission approval.

School District Income Tax

Under Ohio law, a school district, with the approval of the voters, may impose an income tax for the purpose of providing additional funds for the operation of the school district. The tax may be imposed upon the income of individuals residing in the school district and estates of decedents who at the time of their death were residents of the school district; or solely upon the earned income of individuals residing in the school district. Such selection must be made by the board of education prior to submission of the question of an income tax to the board of elections and be clearly stated on the election ballot. The tax may be imposed either for a specified number of years or for a continuing period of time. If the tax is imposed for a period in excess of five years, the voters of the school district may, by majority vote, repeal the tax, provided that a proposal to repeal the tax may not be initiated more than once in any five-year period.

The electors of the School District approved a 1.00% income tax for a period of five years for the purpose of providing for the current operating expenses of the School District. The income tax has an effective date of January 1, 2011, and the income tax will be levied on the income of residents and of estates. Employers of residents will be required to withhold income tax on compensation and remit the tax to the State. Taxpayers will then be required to file an annual return. The State will then make quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue will be credited to the General Fund.

SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS

Statutory Debt Limitations Generally

The School District may issue voted general obligation bonds (such as the Bonds), and notes issued in anticipation thereof, pursuant to a vote of the electors of the School District. Ad valorem taxes, without limitation as to amount or rate, assessed to pay debt service on voted bonds are authorized by the electors at the same time they authorize issuance of the bonds. Such voted debt is subject to the direct debt limitations but is not subject to the indirect debt limitation. Voted obligations may also be issued by certain overlapping subdivisions.

General obligation bonds and notes issued in anticipation thereof, may also be issued by the School District (and certain overlapping political subdivisions, such as the County) without a vote of the electors. Unvoted debt is subject to both the direct and indirect debt limitations.

A political subdivision's debt limitations are based on its "tax valuation," which is the aggregate of the valuations of real property, personal property, and public utility property that is subject to ad valorem property taxation. For school districts, tax valuation is calculated in accordance with Revised Code 133.01(PP) and excludes the valuation of tangible personal property used in business, telephone or telegraph property, interchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations.

Direct Debt Limitations

Revised Code Section 133.06 provides that, exclusive of certain "exempt debt" (discussed below), the net principal amount of unvoted general obligation debt of a school district may not exceed the following percentages of a School District's tax valuation: (a) for permanent improvements generally, one-tenth of one percent (0.10%); and (b) for qualified energy conservation projects under Revised Code Section 133.06, nine-tenths of one percent (0.90%). Revised Code Section 133.06 also provides that the net principal amount of both voted and unvoted general obligation debt of the School District may not exceed 9% of a school district's tax valuation, except in the specific situations discussed below. These two limitations, referred to as "the direct debt limitations," may be amended from time to time by the State.

State Consents and Special Needs Status

Revised Code Section 133.06 further provides that bonds shall not be submitted to popular vote in an amount which will make the net indebtedness after the issuance of such bonds exceed 4% of a school district's tax valuation, unless the school district obtains the consent of the State Superintendent (acting under policies adopted by the State Board of Education) and the Tax Commissioner (acting under written policies of said Tax Commissioner). Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 4% consent or 9% limitation when necessary to fund the Commission-required local effort.¹

Exempt Debt

The Revised Code provides that certain debt a school district may issue is exempt from direct debt limitations ("exempt debt"). Exempt debt includes, among other things, bonds payable from school district income taxes under Revised Code Section 3318.052(E); notes issued in anticipation of the

¹ Commission-required local effort includes a school district's local share and required locally funded initiatives, but does not include school district-desired locally funded initiatives.

collection of current revenues; notes issued for qualified energy savings projects under Revised Code Section 3313.372; and certain bonds issued for school construction purposes following declaration of an emergency. Notes issued in anticipation of "exempt" bonds also are exempt debt. In calculating debt subject to the direct debt limitations, the amount of money in a school district's bond retirement fund allocable to the principal amount of non-exempt debt is deducted from gross non-exempt debt.

Indirect Debt Limitation

Unvoted general obligation bonds and bond anticipation notes cannot be issued by the School District unless the tax required to be imposed on taxable property in the School District for the payment of the debt service on (a) such bonds (or the bonds in anticipation of which notes are issued), and (b) all outstanding unvoted general obligation bonds (including bonds in anticipation of which notes are issued) of the combination of overlapping taxing subdivisions in the School District resulting in the highest tax rate required for such debt service, in any one year, is ten mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of which is commonly referred to as the "ten-mill limitation," is imposed by a combination of the provisions of Article XII, Sections 2 and 11 of the Ohio Constitution and Revised Code Section 5705.02.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions without a vote of the electors. The ten mills which may be levied without a vote of the electors is in fact levied, collected and allocated among the School District and its overlapping taxing subdivisions for general fund purposes pursuant to a statutory formula.

This "inside" millage allocated to each overlapping taxing subdivision is required by present Ohio law to be used first for the payment of debt service on unvoted general obligation debt of the subdivision, unless provision has been made for its payment from other sources. The balance of the millage is available for other purposes of the subdivision. Thus, to the extent this inside millage is required for debt service of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision or to other such overlapping subdivisions for general fund purposes is reduced.

A subdivision's allocation of inside millage can be exceeded only in the event it is required for the payment of debt service on its unvoted general obligation debt and, in that case, the inside millage allocated to the other overlapping subdivisions would be reduced proportionally to bring the aggregate levies of inside millage down to ten mills.

In case of notes issued in anticipation of the issuance of unvoted general obligation bonds, the highest annual debt service estimated for the bonds anticipated by the notes is used to calculate the millage required.

The ten-mill limitation applies to all unvoted general obligation debt even if debt service on some of such debt is expected to be paid in fact from special assessments, utility earnings or other sources.

In calculating whether or not unvoted debt to be issued by the School District is within the ten-mill limitation, it is necessary to determine the total outstanding debt service requirements within the ten-mill limitation of all the taxing subdivisions overlapping the School District.

Bond Anticipation Notes

Under Ohio law, notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, principal maturities that would have been required if bonds had been issued at the expiration of the initial five-year period. The last maturity of any bonds issued to refund general obligation bond anticipation notes may not be later than the year of last maturity permitted by law for the bonds anticipated.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes, the proceeds of the sale of the bonds anticipated by such notes, from other available funds of the School District, or from a combination of these sources.

The ability of the School District to retire its outstanding bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing. Under present Ohio law, there is no ceiling on the annual interest rate permitted on general obligation notes and bonds of school districts.

As of the date of this Official Statement, none of the debt of the School District is in the form of general obligation bond anticipation notes.

School District Debt Currently Outstanding

Upon issuance of the Bonds and the Notes, the School District will have the following issues of bonds and notes outstanding (excluding the Refunded Bonds to be refunded by the Bonds):

Outstanding Debt Northwest Local School District

Issue	Dated Date	Final Maturity	Balance Outstanding October 6, 2010
School Improvement Bonds, Series 2002	09/01/2002	12/01/2029	\$16,655,000.00
Income Tax Anticipation Notes, Series 2010	06/22/2010	12/01/2015	1,137,008.80
The Notes	10/06/2010	12/01/2025	1,715,000.00
The Bonds	10/06/2010	12/01/2022	3,013,681.65
Total			\$22,520,690.45

Source: Northwest Local School District

Debt Service Requirements

The following schedule presents the School District's actual debt service requirements for debt currently outstanding (excluding the Refunded Bonds) and the Bonds:

Debt Service Requirements Northwest Local School District

Calendar Year	Outstanding Obligations ⁽¹⁾		The Bonds		Total Gross Debt Service ⁽³⁾	Total Net Debt Service ⁽⁴⁾
	Principal ⁽²⁾	Interest ⁽¹⁾	Principal	Interest		
2010	\$ 655,000.00	\$362,907.50	\$ 55,000.00	\$ 15,799.90	\$1,088,707.40	\$1,088,707.40
2011	1,000,000.00	842,765.97	35,000.00	102,317.50	1,980,083.47	1,883,012.09
2012	1,045,000.00	790,420.00	35,000.00	101,617.50	1,972,037.50	1,887,831.00
2013	1,075,000.00	761,220.00	40,000.00	100,917.50	1,977,137.50	1,892,931.00
2014	1,099,288.30	735,181.70	40,000.00	100,117.50	1,974,587.50	1,890,381.00
2015	1,107,720.50	726,924.50	40,000.00	99,317.50	1,973,962.50	1,889,756.00
2016	925,000.00	657,395.00	40,000.00	98,767.50	1,721,162.50	1,636,956.00
2017	955,000.00	624,185.00	40,000.00	98,087.50	1,717,272.50	1,633,066.00
2018	990,000.00	588,905.00	40,000.00	97,287.50	1,716,192.50	1,631,986.00
2019	1,030,000.00	551,280.00	45,000.00	96,437.50	1,722,717.50	1,638,511.00
2020	115,000.00	511,020.00	533,681.65	561,630.85	1,721,332.50	1,637,126.00
2021	115,000.00	511,020.00	1,015,000.00	82,800.00	1,723,820.00	1,639,613.50
2022	115,000.00	511,020.00	1,055,000.00	42,200.00	1,723,220.00	1,639,013.50
2023	1,220,000.00	511,020.00	--	--	1,731,020.00	1,646,813.50
2024	1,275,000.00	458,532.50	--	--	1,733,532.50	1,649,326.00
2025	1,330,000.00	403,432.50	--	--	1,733,432.50	1,649,226.00
2026	1,270,000.00	259,112.50	--	--	1,529,112.50	1,529,112.50
2027	1,330,000.00	198,787.50	--	--	1,528,787.50	1,528,787.50
2028	1,395,000.00	135,612.50	--	--	1,530,612.50	1,530,612.50
2029	1,460,000.00	69,350.00	--	--	1,529,350.00	1,529,350.00
Total	<u>\$19,507,008.80</u>	<u>\$10,210,092.17</u>	<u>\$3,013,681.65</u>	<u>\$1,597,298.25</u>	<u>\$34,328,080.87</u>	<u>\$33,052,118.49</u>

⁽¹⁾ Includes the Notes, but excludes the Refunded Bonds and interest already paid on June 1, 2010.

⁽²⁾ Includes the annual mandatory sinking fund deposits of the principal of the Notes in 2011 through 2025, inclusive, which deposits equal the par value of the Notes.

⁽³⁾ Includes the gross interest on the Notes without deduction for the Direct Payments that the School District expects to receive from the Treasury pursuant to Section 6431 of the Code. The total amount of the Direct Payments expected to be received through maturity of the Notes is \$1,275,962.38. Upon receipt of installment payments of the Direct Payments from the Treasury, the School District expects to deposit such installment payments into the School District's bond retirement fund. Although it is the intention of the School District to use the Direct Payments to pay the debt service on the Notes, the School District is not required to do so under federal or State law.

⁽⁴⁾ Net debt service deducts the Direct Payments, which credits the School District expects to total \$1,275,962.38 through maturity of the Notes. Although it is the intention of the School District to use the Direct Payments to pay the debt service on the Notes, the School District is not required to do so under federal or State law.

No bonds have been authorized by the electors that have not yet been issued.

The School District is not and has not been in default in the payment of debt service on any of its general obligation bonds or notes.

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Overlapping Subdivision Indebtedness

In addition to the School District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding bonded indebtedness of such political subdivisions (excluding self-supporting debt and debt payable primarily from enterprise revenues or special assessments) is as follows:

Overlapping Debt
Northwest Local School District

Overlapping Units	Estimated Outstanding Debt	Percent Applicable to School District	Estimated Amount of Overlapping Debt
Stark County	\$7,310,000	2.95%	\$ 215,645
Summit County	34,090,000	0.39	132,951
Wayne County	5,302,000	0.09	4,772
City of Canal Fulton	1,625,000	100.00	1,625,000
Akron Metro RTA Misc.	485,000	0.39	1,892
Wayne Public Library District Misc.	5,240,000	10.26	537,624
Total			\$2,517,884

Source: Ohio Municipal Advisory Council. Data as of August 16, 2010.

The following table shows the per capita debt of the residents in the School District based upon the 2006 OMAC estimate of 13,940 people residing in the School District, the above overlapping indebtedness figures and the School District debt shown above, including the Bonds:

Debt Per Capita
Northwest Local School District

School District Debt, per capita	\$1,615.54
Overlapping Debt, per capita	180.62
Total Debt, per capita	\$1,796.16

Source: Ohio Municipal Advisory Council and Northwest Local School District calculations

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Debt Capacity Analysis

The following table provides an analysis of the School District's debt capacity as of October 6, 2010, including the Notes but excluding the Refunded Bonds. The School District's tax valuation is calculated in accordance with Revised Code Section 133.01(PP) and is based on collection year 2010 data provided by the State Department of Taxation.

Debt Capacity Northwest Local School District

A.	Tax valuation	\$268,259,950
B.	Total debt, including the Bonds and the Notes but excluding the Refunded Bonds	22,520,691
C.	Exempt debt	0
D.	Total non-exempt debt (B minus C)	22,520,691
E.	1/10 of 1% direct debt limitation (1/10 of 1% of tax valuation)	268,259
F.	Total limited tax non-exempt bonds and notes outstanding (not including Revised Code Section 133.06(G) debt)	0
G.	Debt leeway within 1/10 of 1% unvoted debt limitation, but subject to indirect debt limitation (E minus F)	268,259
H.	9/10 of 1% direct debt limitation (Section 133.06(G) debt) (9/10 of 1% of tax valuation)	2,414,339
I.	Total Revised Code Section 133.06(G) debt	1,715,000
J.	Debt leeway within 9/10 of 1% unvoted debt limitation, but subject to indirect debt limitation (H minus I)	699,339
K.	9% direct debt limitation	24,143,395
L.	Debt leeway within 9% direct debt limitation (K minus D)*	1,622,705

* Debt leeway was determined without reference to applicable moneys in the School District's bond retirement fund.

Source: Ohio Department of Taxation and Northwest Local School District calculations

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Lease Obligations

Under Ohio law, school districts have only the authority to lease or lease purchase any capital asset that is expressly granted by statute or necessarily implied from expressly granted authority. Express statutory authority exists for true leases (i.e., leases where no portion of the lease payment is applied toward the purchase of the capital asset) or lease-purchase or installment sale arrangements for the following: land, office equipment, school buses, administrative office facilities and buildings for any school district purpose. Except in cases where lease-purchase or installment sale arrangements include certain provisions providing that the obligations under such agreement may be terminated at the end of a fiscal year (e.g., a requirement of annual appropriation in order to extend the lease term beyond the current fiscal year), such agreements would constitute "debt" for purposes of the indirect debt limitation and the statutory direct debt limitations discussed more fully herein (see "SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS - Statutory Debt Limitations Generally"). The School District has the following lease obligations:

Lease Obligations
Northwest Local School District

Leased Property	Term of Lease	Expiration Date of Lease	Total Annual Obligation
Copiers	6 years	07/01/2013	\$ 83,766.00
Bus Garage	20 years	01/01/2028	104,281.00
School Property	22 years	12/01/2031	116,265.25
Total			\$304,312.25

Source: Northwest Local School District

Future Financings

The School District does not anticipate any additional capital financings in the next five years.

FINANCES OF THE SCHOOL DISTRICT

Budgeting, Tax Levy and Appropriations Procedures

The Revised Code contains detailed provisions regarding School District budgeting, tax levy and appropriation procedures. These procedures involve review by County officials at several steps.

School District budgeting for a fiscal year formally begins with the preparation of a tax budget or alternative document as determined by the County Budget Commission, comprised of the County Auditor, County Treasurer and County Prosecuting Attorney. After a public hearing, this budget is adopted by the Board by the January 15th prior to the fiscal year to which it pertains. Among other items, the tax budget must show the amounts required for debt service, the estimated receipts for payment from sources other than ad valorem property taxes and the net amount for which an ad valorem property tax levy must be made. The tax budget then is presented for review by the Budget Commission. The Budget Commission holds a public hearing to review the budget, and issues, by March 1st, the Certificate of Estimated Resources which is the basis for School District appropriations and expenditures for the coming fiscal year.

Upon approval of the tax budget and issuance of the Certificate of Estimated Resources, the County Budget Commission certifies its actions to the Board together with the approved tax rates. Thereafter, the Board levies the approved taxes and certifies them to the proper County officials. The approved and certified tax rates are reflected in the tax bills sent to property owners during the collection year. Real property taxes are payable on a calendar year basis, generally in two installments with the first due usually in January and the second due in June or later.

At the start of each fiscal year, the Board adopts a temporary appropriation measure to begin that new fiscal year and then, within three months, a permanent appropriation measure for that fiscal year. Permanent appropriation measures may be amended or supplemented during the fiscal year. Annual appropriations may not exceed the County Budget Commission's official estimates of resources. The County Auditor must certify that the Board's appropriation measures, including any supplements or amendments, do not appropriate moneys in excess of the amount set forth in the latest of those official estimates.

The County serves as tax collector for the School District. Investments and deposits of County funds are also governed by Revised Code Chapter 135 (the "Uniform Depository Act"). The County Treasurer is responsible for those investments and deposits. The County's most recent audited financials contain a recitation of the County's current investment practices and can be obtained at the Ohio Auditor of State website: <http://www.auditor.state.oh.us/>.

Financial Reports and Audits

The School District's fiscal year is the twelve-month period beginning July 1 and ending June 30. The Board maintains its accounts, appropriations and other fiscal records on the basis of generally accepted accounting principles ("GAAP").

The State Auditor is charged by law with the responsibility for auditing the financial statements of each taxing subdivision and most public agencies and institutions. A financial report for each fiscal year is required to be filed with the State Auditor pursuant to Revised Code Section 117.38. Such reports are required to be submitted to the State Auditor at the close of each fiscal year. At the time of filing of such report, the Treasurer is required to publish a notice that the report is completed and available for review in the Treasurer's office.

The most recent audit of the School District's financial statements by the State Auditor was completed through the fiscal year ending June 30, 2009. The Auditor did make some management recommendations, but did not require any adjustments, or make any findings for recovery. No bring-down procedures have been undertaken by the State Auditor since the date of the financial statements. The audited Basic Financial Statements for the Year Ended June 30, 2009 are attached hereto as APPENDIX B.

Governmental Accounting Standards Board pronouncements and Financial Accounting Standards Board pronouncements are the principal sources used to determine the accounting principles employed under GAAP. These publications, among other things, provide for a modified accrual basis of accounting for governmental funds and for a full accrual basis of accounting for proprietary funds and for each major and aggregated non-major fiduciary funds. The publications also further provide for the preparation of balance sheets for each major and non-major fund, and statements of revenues and expenditures, and changes in fund balances (major and aggregated non-major governmental funds) or statements of revenues, expenses and changes in retained earnings/equity (major and aggregated non-major proprietary funds) and statement of cash flows. The principles further require preparation of a statement of net assets and a statement of activities for the entity's business type and government type activities on the full

accrual basis of accounting, and management's discussion and analysis of major events and transactions during the year.

Five-Year Projection

Boards of education are required to submit a five-year projection of operational revenues and expenditures (commonly known as the "five-year forecast") according to Department rules. Pursuant to such rules, the Department reviews the School District's five-year projection to determine if the School District has projected a deficit during the first three years of the five-year projection period. If the Department determines that further fiscal analysis is needed, the Department must forward the projection to the State Auditor, who will determine if the School District must be formally notified of a pending projected deficit. The School District must then take steps to eliminate any deficit in the current year and to plan to avoid projected deficits. The Board approved a five-year projection on May 17, 2010, a copy of which is attached hereto as APPENDIX C.

Deficit projections arising from the "five-year forecast" may have the effect of triggering certain fiscal oversight mechanisms created under State law.

Fiscal Oversight System

The State has created a fiscal oversight system designed to ensure the financial stability of public school districts so that they can continue to perform the vital governmental mission of educating children while meeting their ongoing obligations to creditors, employees, vendors and suppliers. Under this fiscal oversight system, a school district may be declared to be in a state of "fiscal caution," "fiscal watch," or "fiscal emergency" based on certain triggering criteria established by law. These triggering criteria relate primarily to the size of the school district's current and projected operating deficits, but also include an evaluation of the school district's financial practices and its effectiveness in taking the necessary corrective measures. Increasing levels of intervention and control are imposed with each successive determination, culminating (at the "fiscal emergency" level) in the creation of an independent governing board for the school district. This independent governing board, the Financial Planning and Supervision Commission ("FPSC"), is vested with extraordinary powers, including the power to remove the superintendent and/or the treasurer and to implement staff reductions which would otherwise violate existing collective bargaining agreements. The State Auditor may conduct a performance audit of a school district in fiscal caution, fiscal watch, or fiscal emergency at any time.¹

The School District is subject to a declaration of fiscal caution, but it is not subject to any directives from the State Auditor, the State Superintendent or the FPSC arising from any prior declaration.

General Fund Operations

The General Fund is the main operating fund of the School District. It is the fund from which most of the School District's expenditures are paid and into which most of the School District's revenues are deposited. The School District derives most of its revenues from a tax on real and tangible personal property and from State aid, including the School Foundation Program. (See "OTHER SOURCES OF SCHOOL DISTRICT FUNDING – School Foundation Program.")

¹ For more information about the criteria the State Auditor and State Superintendent use to determine whether a school district should be placed on fiscal caution, fiscal watch, or fiscal emergency, please visit the State Auditor's website at <http://auditor.state.oh.us/LGS/FiscalWatchEmergency/SchoolFactSheet.htm>.

Other Funds

Ohio school districts are required to establish the following funds as indicated:

Fund	Source and Amount of Balance	Purpose
Textbook and Instructional Materials Fund ¹	3% of operating revenues ² using the state base-cost formula amount for the preceding fiscal year multiplied by the School District's student population for the preceding fiscal year	Acquisition of textbooks and instructional software, material, supplies and equipment ³
Capital and Maintenance Fund ²	3% of general fund revenues ⁴ using the state base-cost formula amount for the preceding fiscal year multiplied by the School District's student population for the preceding fiscal year	Acquisition, replacement, enhancement, maintenance, or repair of permanent improvements

¹ A school district may elect to set aside funds pursuant to previous law by notifying the State Auditor within 90 days of the beginning of the fiscal year of such election.

² A different percentage requirement may be set by the State Auditor.

³ A school district that meets the specified criteria can spend the revenues contained in the Textbook and Instructional Materials Fund for purposes other than those specified.

⁴ A school district may elect to set aside funds from the proceeds of a permanent improvement levy instead of diverting funds from the general fund to meet this requirement.

Any balance remaining in the above funds at the end of the current fiscal year is carried over to the next fiscal year.

Investment of Funds

According to the Treasurer of the School District, all moneys of the School District, specifically moneys in the general fund, the bond retirement fund, and all project funds containing proceeds of any debt issuances of the School District (including the Bonds), are presently or will be invested in accordance with the requirements of Ohio law, and in particular the Uniform Depository Act. Under Revised Code Section 135.14, the School District may invest its funds, provided that such investments generally must mature or be redeemable within five years from the date of purchase. The classifications of obligations which are eligible for such investment by the School District range from investment in the State Treasury Asset Reserve of Ohio investment pool ("STAR Ohio") to investment in United States Treasury bills, commercial paper, certificates of deposit and bankers acceptances. Certain investment practices remain exclusive to those school districts whose fiscal officers have completed additional training in accordance with the Uniform Depository Act.

Further, pursuant to Revised Code Section 135.14, all investments of the School District, except for investments in securities in STAR Ohio and certain no-load money market mutual funds, must be made through members of the National Association of Securities Dealers, Inc., banks, savings banks, or savings and loan associations regulated by the State superintendent of financial institutions or through institutions regulated by the comptroller of the currency, Federal Deposit Insurance Corporation, or board of governors of the Federal Reserve System.

The School District interprets the limits on Federal guaranteed investments, bankers' acceptances, commercial paper and all other legal investments very conservatively. No moneys of the School District have ever been invested in interest-only obligations, reverse-repurchase obligations, inverse floater obligations, or other investment vehicles commonly referred to as derivative investments. No moneys of

the School District are invested in obligations which mature later than the time at which it is reasonably expected that the School District will need access to such moneys in order to meet current financial commitments. The Treasurer has attended special training in all of the investment areas to assure strict compliance with the strictly conservative investment philosophy of the School District. All investments are transacted with banks or other financial institutions operating in the State. Complete detail of the current investment practices of the School District can be found in the most recent audited financial statements of the School District (see APPENDIX B herein).

School District Insurance

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles in the amount of \$60,358,461 with a \$5,000 deductible clause per occurrence. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. In addition, the School District maintains liability coverage with a limit of \$2,000,000 in the aggregate (\$1,000,000 per occurrence). The School District also carries insurance coverage for sexual misconduct, school leaders' errors and omissions, law enforcement and employee benefits all with individual limits of \$1,000,000 per occurrence. Settled claims have not exceeded the commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

Ohio law provides immunity for political subdivisions such as the School District from liability in damages. The immunity covers injury, death, or loss to persons or property allegedly caused by an act or omission of such political subdivisions or their employees in connection with governmental and proprietary functions, as defined in the Ohio statutes. Included among such governmental functions is the design, construction, reconstruction, renovation, repair, maintenance, and operation of any school athletic facility, school auditorium, or gymnasium. The statutes have no effect on any liability imposed by federal law or other federal cause of action. Pursuant to Ohio law, there are, however, five areas in which a political subdivision may be held liable for such loss. These include the negligent operation of a motor vehicle by employees engaged within the scope of their employment and authority; negligent performance of proprietary functions; negligent failure to keep public roads in repair, and other negligent failure to remove obstructions from public roads; negligence of employees due to physical defects within or upon the grounds of buildings used in the performance of governmental functions, excluding jails, juvenile detention workhouses and other detention facilities; and liability specifically imposed by statute. Ohio law also imposes a two-year statute of limitations and puts limits on the damages which may be recovered from such political subdivisions. No punitive or exemplary damages can be recovered, and any insurance benefits are deducted from any award against a political subdivision. Although there is no limitation with respect to compensatory damages representing a person's economic loss, there is a \$250,000 per person ceiling on the compensatory damage that represents a person's non-economic loss in cases other than wrongful death, in which case there is no maximum limitation.