

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Education  
Northwood Local School District  
600 Lemoyne Street  
Northwood, Ohio 43619

We have reviewed the Independent Auditor's Report of the Northwood Local School District, Wood County, prepared by Weber O'Brien, Ltd., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 8, 2004

**This Page is Intentionally Left Blank.**

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2003**

**TABLE OF CONTENTS**

Elected Officials and Administrative Personnel	(i)
Index of Funds and Account Groups	(ii)
Independent Auditors' Report	1
Combined Balance Sheet	2 – 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Similar Trust Funds	4 – 5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types and Similar Trust Funds	6 – 9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types and Non-Expendable Trust Funds	10
Combined Statement of Cash Flows – All Proprietary Fund Types and Non-Expendable Trust Funds	11
Notes to Combined Financial Statements	12 – 30
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	31

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**600 Lemoyne Road  
Northwood, Ohio 43619**

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 2003

<u>TITLE</u> <u>Name</u>	<u>Term of Office or</u> <u>Contract Period</u>	<u>Surety</u> <u>Amount</u>	<u>Period</u>
<b>BOARD OF EDUCATION</b>			
President Randy Kozina	1/1/00–12/31/2003 (A)	\$20,000	1/1/03–12/31/03
Vice President Denise Niese	1/1/00–12/31/2003		
Members: Mike Melnyk	1/1/02–12/31/2005		
Scott Phelps	1/1/02–12/31/2005		
Kathy White	1/1/02–12/31/2005		
<b>LEGAL COUNSEL</b>			
Wood County Prosecuting Attorney: Alan Mayberry One Courthouse Square Bowling Green, Ohio 43402			
<b>TREASURER</b>			
Chris Thompson	1/13/03 to Organizational Meeting 2005	(B) \$20,000	1/13/03 to Organizational Meeting 2005
<b>SUPERINTENDENT</b>			
Ronald W. Matter	8/1/01 – 7/31/2006 (A)	\$20,000	8/1/01-7/31/2006

(A) The Ohio Casualty Insurance Company

(B) Nationwide Mutual Insurance Company

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

INDEX OF FUNDS AND ACCOUNT GROUPS

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund

Special Revenue Fund Type:

Public School Support Fund  
District Managed Student Activity Fund  
Teacher Development Fund  
Early Childhood Education Fund  
OneNet Connectivity Fund  
School Net Professional Development Fund  
Educational Management Information Systems Fund  
Textbook and Instructional Materials Fund  
Title I - Education Consolidation and Improvement Act Fund  
Title VI - Education Consolidation and Improvement Act Fund  
Telecommunications - E-Rate Fund  
Miscellaneous State Grant Fund  
Miscellaneous Federal Grant Funds  
Other Grant  
Ohio Reads Grant Fund

Debt Service Fund Type:

Bond Retirement Fund

Capital Projects Fund Type:

Building Fund  
SchoolNet Fund

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund  
Uniform School Supply Fund  
Special Enterprises Fund

FIDUCIARY FUND TYPE:

Trust and Agency Fund Types:

Expendable Trust Fund:

Special Trust Funds

Nonexpendable Trust Fund:

High School Student Council Scholarship Fund

Agency Fund:

Student Managed Activity Funds

ACCOUNT GROUPS

General Fixed Asset Account Group

General Long-Term Obligations Account Group

**This Page is Intentionally Left Blank.**





## INDEPENDENT AUDITORS' REPORT

Board of Education  
Northwood Local School District  
600 Lemoyne Street  
Northwood, Ohio 43619

We have audited the accompanying general purpose financial statements of the Northwood Local School District ("District"), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwood Local School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2003 on our consideration of the Northwood Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Weber O'Brien, LTD.*

December 3, 2003

Northwood Local School District - Wood County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$417,976	\$110,036	\$94,152	\$560,278
Receivables:				
Taxes	5,196,638		225,841	237,523
Accounts	679	1,062		
Intergovernmental		33,865		
Materials and Supplies Inventory				
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
<b>Total Assets and Other Debits</b>	<u>\$5,615,293</u>	<u>\$144,963</u>	<u>\$319,993</u>	<u>\$797,801</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$17,338	\$202		\$1,176
Contracts Payable				23,897
Accrued Wages and Benefits	687,517	17,265		
Compensated Absences Payable	9,221			
Intergovernmental Payable	109,143	1,172		
Deferred Revenue	4,819,901	23,358	\$207,097	218,566
Due to Students				
Notes Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>5,643,120</u>	<u>41,997</u>	<u>207,097</u>	<u>243,639</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	26,466	9,170		254,144
Reserved for Contributions				
Reserved for Property Taxes	376,737		18,744	18,957
Unreserved:				
Unreserved, Undesignated	(431,030)	93,796	94,152	281,061
Total Fund Equity and Other Credits	<u>(27,827)</u>	<u>102,966</u>	<u>112,896</u>	<u>554,162</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$5,615,293</u>	<u>\$144,963</u>	<u>\$319,993</u>	<u>\$797,801</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$15,256	\$79,829			\$1,277,527
				5,660,002
				1,741
13,467				47,332
12,483				12,483
117,844		\$8,912,890		9,030,734
(74,103)				(74,103)
			\$94,152	94,152
			3,396,043	3,396,043
<u>\$84,947</u>	<u>\$79,829</u>	<u>\$8,912,890</u>	<u>\$3,490,195</u>	<u>\$19,445,911</u>
	\$289			\$19,005
				23,897
\$15,353				720,135
3,172			\$637,366	649,759
25,178			54,829	190,322
				5,268,922
	23,596			23,596
			145,000	145,000
			459,000	459,000
			520,000	520,000
			1,674,000	1,674,000
<u>43,703</u>	<u>23,885</u>		<u>3,490,195</u>	<u>9,693,636</u>
		\$8,912,890		8,912,890
106,993				106,993
(65,749)				(65,749)
				289,780
	17,838			17,838
				414,438
	38,106			76,085
<u>41,244</u>	<u>55,944</u>	<u>8,912,890</u>		<u>9,752,275</u>
<u>\$84,947</u>	<u>\$79,829</u>	<u>\$8,912,890</u>	<u>\$3,490,195</u>	<u>\$19,445,911</u>

**Northwood Local School District - Wood County  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental and Similar Trust Fund Types  
 For the Year Ended June 30, 2003**

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Intergovernmental	\$3,021,537	\$164,063
Interest	19,663	
Tuition and Fees	8,598	2,604
Rent	4,320	
Extracurricular Activities		142,636
Gifts and Donations	2,431	4,984
Property & Other Local Taxes	4,513,454	
Miscellaneous	220,929	21,282
Total Revenues	7,790,932	335,569
<b>Expenditures:</b>		
Instruction:		
Regular	4,010,074	188,147
Special	365,710	89,920
Vocational	51,872	
Other	79,322	
Support services:		
Pupils	304,435	3,649
Instructional Staff	607,577	17,971
Board of Education	18,631	
Administration	706,944	2,913
Fiscal	304,703	
Operation and Maintenance of Plant	759,844	
Pupil Transportation	329,267	
Central		3,882
Non-Instructional Services	255	
Extracurricular activities	181,343	100,108
Capital Outlay	467,897	
Debt Service		
Debt Service - Principal	12,052	
Debt Service - Interest	318	
Total Expenditures	8,200,244	406,590
Excess of Revenues Over (Under) Expenditures	(409,312)	(71,021)
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		
Inception of Capital Lease	459,000	
Proceeds from Sale of Fixed Assets	2,208	
Refund of Prior Year Expenditures	42,891	10,812
Other Financing Sources		5,260
Operating Transfers Out	(161,161)	
Total Other Financing Sources (Uses)	342,938	16,072
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(66,374)	(54,949)
Fund Balance at Beginning of Year	38,547	157,915
<b>Fund Balance at End of Year</b>	(\$27,827)	\$102,966

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$13,071	\$38,923	\$75	\$3,237,594
			19,738
			11,202
			4,320
			142,636
		1,616	9,031
216,883	217,998		4,948,335
	4,000		246,211
<u>229,954</u>	<u>260,921</u>	<u>1,691</u>	<u>8,619,067</u>
	38,604		4,236,825
			455,630
			51,872
			79,322
			308,084
	3,911		629,459
			18,631
			709,857
2,468	2,579		309,750
			759,844
			329,267
			3,882
		1,275	1,530
			281,451
	232,424		700,321
275,000			287,052
143,721			144,039
<u>421,189</u>	<u>277,518</u>	<u>1,275</u>	<u>9,306,816</u>
<u>(191,235)</u>	<u>(16,597)</u>	<u>416</u>	<u>(687,749)</u>
196,861			196,861
			459,000
			2,208
			53,703
	459,000		464,260
	(74,940)		(236,101)
<u>196,861</u>	<u>384,060</u>		<u>939,931</u>
5,626	367,463	416	252,182
107,270	186,699	10,547	500,978
<u>\$112,896</u>	<u>\$554,162</u>	<u>\$10,963</u>	<u>\$753,160</u>

**Northwood Local School District - Wood County**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual (Non-Budgetary Basis)**  
**All Governmental and Similar Trust Fund Types**  
**For the Year Ended June 30, 2003**

	<b>Governmental Fund Types</b>		
	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>			
Intergovernmental	\$3,038,937	\$3,021,537	(\$17,400)
Interest	35,000	19,663	(15,337)
Tuition and Fees	8,000	8,598	598
Rent	4,000	4,320	320
Extracurricular Activities			
Gifts and Donations	46,486	2,431	(44,055)
Property & Other Local Taxes	4,772,656	4,512,454	(260,202)
Miscellaneous	273,214	220,249	(52,965)
<b>Total Revenues</b>	<b>8,178,293</b>	<b>7,789,252</b>	<b>(389,041)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	4,111,760	4,051,011	60,749
Special	371,682	366,140	5,542
Vocational	50,907	50,281	626
Other	81,400	79,184	2,216
Support services:			
Pupils	330,299	311,388	18,911
Instructional Staff	664,740	619,957	44,783
Board of Education	25,019	19,236	5,783
Administration	722,604	697,784	24,820
Fiscal	321,705	309,910	11,795
Operation and Maintenance of Plant	804,705	759,340	45,365
Pupil Transportation	326,484	320,573	5,911
Central			
Non-Instructional Services	275	255	20
Extracurricular activities	218,099	183,657	34,442
Capital Outlay	9,005	8,897	108
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>8,038,684</b>	<b>7,777,613</b>	<b>261,071</b>
Excess of Revenues Over (Under) Expenditures	139,609	11,639	(127,970)
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Long-Term Notes			
Proceeds from Sale of Fixed Assets	10,000	2,208	(7,792)
Refund of Prior Year Expenditures	21,000	43,149	22,149
Other Financing Sources			
Operating Transfers Out	(162,505)	(161,161)	1,344
<b>Total Other Financing Sources (Uses)</b>	<b>(131,505)</b>	<b>(115,804)</b>	<b>15,701</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	8,104	(104,165)	(112,269)
Fund Balances at Beginning of Year	421,299	421,299	
Prior Year Encumbrances Appropriated	43,744	43,744	
<b>Fund Balance at end of Year</b>	<b>\$473,147</b>	<b>\$360,878</b>	<b>(\$112,269)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**Governmental Fund Types**

<u>Special Revenue</u>			<u>Debt Service</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$200,659	\$170,718	(\$29,941)	\$19,950	\$13,071	(\$6,879)
1,500	2,604	1,104			
156,747	141,574	(15,173)			
7,501	4,984	(2,517)			
			232,589	223,469	(9,120)
20,675	21,282	607			
<u>387,082</u>	<u>341,162</u>	<u>(45,920)</u>	<u>252,539</u>	<u>236,540</u>	<u>(15,999)</u>
227,172	192,644	34,528			
113,778	92,240	21,538			
4,278	3,649	629			
20,086	17,971	2,115			
4,163	2,913	1,250			
			2,700	2,468	232
4,668	3,882	786			
128,262	104,310	23,952			
			275,000	275,000	
			143,721	143,721	
<u>502,407</u>	<u>417,609</u>	<u>84,798</u>	<u>421,421</u>	<u>421,189</u>	<u>232</u>
<u>(115,325)</u>	<u>(76,447)</u>	<u>38,878</u>	<u>(168,882)</u>	<u>(184,649)</u>	<u>(15,767)</u>
	6,888	6,888	196,861	196,861	
10,812	10,812				
2,364	5,260	2,896			
(6,888)	(6,888)				
<u>6,288</u>	<u>16,072</u>	<u>9,784</u>	<u>196,861</u>	<u>196,861</u>	
(109,037)	(60,375)	48,662	27,979	12,212	(15,767)
141,238	141,238		81,940	81,940	
19,802	19,802				
<u>\$52,003</u>	<u>\$100,665</u>	<u>\$48,662</u>	<u>\$109,919</u>	<u>\$94,152</u>	<u>(\$15,767)</u>

(Continued)

Northwood Local School District - Wood County  
 Combined Statement of Revenues, Expenditures and Changes in  
 Fund Balances - Budget and Actual (Non-Budgetary Basis)  
 All Governmental and Similar Trust Fund Types  
 For the Year Ended June 30, 2003  
 (Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance
<b>Revenues:</b>			
Intergovernmental	\$47,314	\$38,923	(\$8,391)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property & Other Local Taxes	233,485	222,281	(11,204)
Miscellaneous	4,000	4,000	
<b>Total Revenues</b>	<u>284,799</u>	<u>265,204</u>	<u>(19,595)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	39,959	38,604	1,355
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	4,227	4,035	192
Board of Education			
Administration			
Fiscal	3,200	2,579	621
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	709,230	474,352	234,878
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<u>756,616</u>	<u>519,570</u>	<u>237,046</u>
Excess of Revenues Over (Under) Expenditures	<u>(471,817)</u>	<u>(254,366)</u>	<u>217,451</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Long-Term Notes			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures	3,928		(3,928)
Other Financing Sources	459,000	459,000	
Operating Transfers Out	(74,940)	(74,940)	
<b>Total Other Financing Sources (Uses)</b>	<u>387,988</u>	<u>384,060</u>	<u>(3,928)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(83,829)	129,694	213,523
Fund Balances at Beginning of Year	158,089	158,089	
Prior Year Encumbrances Appropriated	5,370	5,370	
<b>Fund Balance at end of Year</b>	<u>\$79,630</u>	<u>\$293,153</u>	<u>\$213,523</u>

The notes to the general-purpose financial statements are an integral part of this statement.



Fiduciary Trust Fund Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance	Budget	Actual	Variance
			\$3,306,860	\$3,244,249	(\$62,611)
\$215	\$75	(\$140)	35,215	19,738	(15,477)
			9,500	11,202	1,702
			4,000	4,320	320
			156,747	141,574	(15,173)
3,200	1,616	(1,584)	57,187	9,031	(48,156)
			5,238,730	4,958,204	(280,526)
			297,889	245,531	(52,358)
<u>3,415</u>	<u>1,691</u>	<u>(1,724)</u>	<u>9,106,128</u>	<u>8,633,849</u>	<u>(472,279)</u>
			4,378,891	4,282,259	96,632
			485,460	458,380	27,080
			50,907	50,281	626
			81,400	79,184	2,216
			334,577	315,037	19,540
			689,053	641,963	47,090
			25,019	19,236	5,783
			726,767	700,697	26,070
			327,605	314,957	12,648
			804,705	759,340	45,365
			326,484	320,573	5,911
			4,668	3,882	786
2,500	1,275	1,225	2,775	1,530	1,245
			346,361	287,967	58,394
			718,235	483,249	234,986
			275,000	275,000	
			143,721	143,721	
<u>2,500</u>	<u>1,275</u>	<u>1,225</u>	<u>9,721,628</u>	<u>9,137,256</u>	<u>584,372</u>
<u>915</u>	<u>416</u>	<u>(499)</u>	<u>(615,500)</u>	<u>(503,407)</u>	<u>112,093</u>
			196,861	203,749	6,888
			-	-	
			10,000	2,208	(7,792)
			35,740	53,961	18,221
			461,364	464,260	2,896
			(244,333)	(242,989)	1,344
			<u>459,632</u>	<u>481,189</u>	<u>21,557</u>
915	416	(499)	(155,868)	(22,218)	133,650
10,547	10,547		813,113	813,113	
1,250	1,250		70,166	70,166	
<u>\$12,712</u>	<u>\$12,213</u>	<u>(\$499)</u>	<u>\$727,411</u>	<u>\$861,061</u>	<u>\$133,650</u>

**Northwood Local School District - Wood County**  
**Combined Statement of Revenues, Expenses**  
**and Changes in Fund Equity**  
**All Proprietary Fund Types and Non-Expendable Trust Funds**  
**For the Year Ended June 30, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$208,520		\$208,520
Interest		\$653	653
Contributions and Donations		2,477	2,477
Total Operating Revenues	<u>208,520</u>	<u>3,130</u>	<u>211,650</u>
<b>Operating Expenses</b>			
Salaries	95,278		95,278
Fringe Benefits	45,918		45,918
Purchased Services	71,682		71,682
Materials and Supplies	162,132		162,132
Depreciation	3,790		3,790
Other	679	2,000	2,679
Total Operating Expenses	<u>379,479</u>	<u>2,000</u>	<u>381,479</u>
Operating Income (Loss)	(170,959)	1,130	(169,829)
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	25,733		25,733
Interest	152		152
Federal and State Subsidies	85,026		85,026
Other	8,750		8,750
Total Non-Operating Revenues and Expenses	<u>119,661</u>		<u>119,661</u>
Income (Loss) Before Operating Transfers	(51,298)	1,130	(50,168)
Operating Transfers-In	39,240		39,240
Net Income (Loss)	(12,058)	1,130	(10,928)
Retained Earnings/Fund Balances at Beginning of Year	53,302	43,851	97,153
Retained Earnings/Fund Balances at End of Year	<u>\$41,244</u>	<u>\$44,981</u>	<u>\$86,225</u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**Northwood Local School District - Wood County  
Combined Statement of Cash Flows  
All Proprietary Fund Types and Non-Expendable Trust Funds  
For the Year Ended June 30, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$208,520		\$208,520
Other Cash Receipts		\$2,477	2,477
Cash Payments to Suppliers for Goods and Service	(151,868)		(151,868)
Cash Payments for Contract Services	(71,682)		(71,682)
Cash Payments for Employee Services	(93,588)		(93,588)
Cash Payments for Employee Benefits	(34,473)		(34,473)
Other Cash Payments	(679)	(2,000)	(2,679)
Net Cash Provided (Used) by Operating Activities	<u>(143,770)</u>	<u>477</u>	<u>(143,293)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	72,925		72,925
Other	8,750		8,750
Transfers In	39,240		39,240
Net Cash Provided (Used) by Noncapital Financing Activities	<u>120,915</u>		<u>120,915</u>
Cash Flows from Investing Activities:			
Interest Received	152	653	805
Net Cash Provided (Used) by Investing Activities	<u>152</u>	<u>653</u>	<u>805</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(22,703)	1,130	(21,573)
Cash and Cash Equivalents at Beginning of Year	37,959	43,851	81,810
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$15,256</u>	<u>\$44,981</u>	<u>\$60,237</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$170,959)	\$1,130	(\$169,829)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,790		3,790
Donated Commodities Used During the Year	25,733		25,733
Nonexpendable Trust Interest		(653)	(653)
(Increase) Decrease in Assets:			
Material and Supplies Inventory	(7,991)		(7,991)
Increase (Decrease) in Liabilities:			
Accounts Payable	(6,463)		(6,463)
Compensated Absences Payable	549		549
Intergovernmental Payable	11,903		11,903
Deferred Revenue	(1,016)		(1,016)
Accrued Wages and Benefits	684		684
Total Adjustments	<u>27,189</u>	<u>(653)</u>	<u>26,536</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(\$143,770)</u>	<u>\$477</u>	<u>(\$143,293)</u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:			
Cash and Cash Equivalents — Trust and Agency Funds			\$79,829
Less: Expendable Trust Funds			(10,963)
Less: Agency Funds			(23,885)
Cash and Cash Equivalents — Nonexpendable Trust Funds			<u>\$44,981</u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The School District was established in 1846 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the state of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms to provide educational services as mandated by state and/or federal agencies.

The Board controls the District's four (4) instructional/support facilities staffed by 48 non-certificated employees, 70 certificated full time teaching personnel and 6 administrative employees to provide services to approximately 1,012 students and other community members. It currently operates two (2) elementary schools (K through 5), one (1) middle school (6 through 8), and one (1) comprehensive high school (9 through 12). The School District serves an area of approximately 7 square miles and is located in northern Wood County. The School District is the 496th largest in the state of Ohio (among 611 school districts) in terms of enrollment and the 8th largest in Wood County.

*Reporting Entity:*

The District's combined financial statements have been prepared in conformity with accounting principles established by the Government Accounting Standards Board (GASB) that define the reporting entity as the primary government as well as its component units, which are legally accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial burden on the primary government. Based on these criteria the District reports no component units.

The District is associated with four organizations which are defined as jointly governed organizations or insurance purchasing pools. These organizations include the Penta County Joint Vocational School, Northern Ohio Educational Computer Association, Wood County Insurance Consortium, and Ohio School Board Association Worker's Compensation Group Rating Plan. Information about these organizations is presented in Notes 16 and 17 to the general-purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the District are prepared in conformity with generally accepted accounting principles (GAAP) for local government units as prescribed in statements and interpretations issued by the GASB and other recognized authoritative sources. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

**A. Basis of Presentation – Fund Accounting**

The District's accounts are organized on the basis of funds or account groups, each of which is considered a separate accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements. Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the combined financial statement line items of the fund types and account groups. These amounts are presented for analytical purposes only. The summation includes fund types and account groups that use a different basis of accounting, both restricted and unrestricted amounts, and the caption "Amount to be Provided," which is not an asset in the usual sense. Inter-fund transactions have not been eliminated. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to consolidation and do not represent the total resources/revenues or expenditures/expenses of the District.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

*Governmental Fund Types:*

Governmental Funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's Governmental Fund Types:

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

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

*Capital Projects Fund* - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the School District's Proprietary Fund Types.

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

*Fiduciary Fund Types:*

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Non-Expendable Trust and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the School District, other than those accounted for in the Proprietary Funds and Trust Funds.

*General Long-term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the School District except those accounted for in the Proprietary Funds and Trust Funds.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The School District has reflected prior years' contributed capital.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the School District is sixty days after the June 30 year end. That portion of taxes collected and available for advance as of June 30 is considered as revenue of the current period. Current property taxes measurable, but not available as of June 30, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) were recognized as revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District records deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by creditors or employees.

The Proprietary and Non-Expendable Trust Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**C. Budgetary Process**

The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wood County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The notable increase in Special Revenue funds results primarily from new grant awards at the state and federal level. All supplemental appropriations were legally enacted by the board during fiscal 2003.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

*Encumbrances:*

Encumbrance accounting is utilized with School District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. If the actual expenditures are less than the amount encumbered, the excess reserve is closed to the unreserved fund balance.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**D. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAROhio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$19,663, which includes \$7,865 assigned from other District funds.

The District has segregated bank accounts for monies held separate from the District's central bank account. These interest bearing depository accounts are included on the combined balance sheet as "equity in pooled cash and cash equivalents", but they are not required to be deposited into the District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

Inventories are valued at cost on a first in first out basis, and are determined by physical count. Inventories consist of expendable supplies held for consumption. In Governmental Funds the cost is recorded as an expenditure at the time individual inventory items are purchased rather than consumed; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories of Proprietary Funds are expensed when used rather than when purchased.

**F. Estimates**

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

**G. Fixed Assets and Depreciation**

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group. Interest on debt issued to construct general fixed assets is not capitalized in the Account Group.



**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings & Improvements	30-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-10

**H. Intergovernmental Revenues**

In governmental funds, entitlement and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs.

**I. Compensated Absences**

Vested and accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the respective governmental fund. Amounts of vested and accumulated vacation and sick leave which are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligation Account Group.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies the legal restrictions on the use of principal.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$84,165)	(\$60,375)	\$12,212	\$129,694	\$416
Net Adjustment for:					
Revenue Accruals	(18,318)	(5,592)	(6,586)	(4,283)	
Expenditure Accruals	(457,729)	1,647		(25,073)	
Other Sources/Uses	456,740				
Encumbrances	37,098	9,371		267,125	
GAAP Basis	<u>(\$66,374)</u>	<u>(\$54,949)</u>	<u>\$5,626</u>	<u>\$367,463</u>	<u>\$416</u>

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

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

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

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year end, the District had \$115 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

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

*Deposits:* At year-end, the carrying amount of the School District's deposits was \$497,052 and the bank balance was \$572,749. Of the bank balance, \$221,953 was covered by federal depository insurance. The uninsured bank balance was secured by collateralized pools securing all public funds on deposit with specific financial institutions.

*Investments:* The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
STAR Ohio	<u>\$780,360</u>	<u>\$780,360</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,277,527	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(780,360)	\$780,360
Cash on Hand	(115)	
GASB Statement 3	\$497,052	\$780,360

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 25%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2003 Collections	
	Amount	Percent
Agricultural/Residential and Other RE	\$100,214,250	79%
Public Utility	4,082,840	3%
Tangible Personal Property	22,311,975	18%
Total Assessed Value	\$126,609,065	100%
Tax rate per \$1,000 of assessed valuation	\$70.10	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The District receives property taxes from Wood County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$414,438 and is recognized as revenue. \$376,737 was available to the general fund, \$18,744 was available to the debt service fund, and \$18,957 was available to the capital projects fund.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2003, consisted of taxes, accounts (rebates and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. A summary of the principal items of receivables follows:

	Amounts
General Fund:	
Taxes	\$5,196,638
Accounts	679
Special Revenue Fund:	
Accounts	1,062
Intergovernmental	33,865
Debt Service Fund:	
Taxes	225,841
Capital Projects Fund:	
Taxes	237,523
Enterprise Fund:	
Intergovernmental	13,467

**NOTE 7 - FIXED ASSETS**

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Land/Improvements	\$193,339			\$193,339
Building	6,824,094	\$115,444		6,939,538
Furniture/Equipment	1,253,697	22,848		1,276,545
Other Vehicles	503,468			503,468
Total	\$8,774,598	\$138,292		\$8,912,890

A summary of Proprietary Fund fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$117,844
Less: Accumulated Depreciation	(74,103)
Net Fixed Assets-Proprietary Fund	\$43,741

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 8 - CAPITALIZED LEASES DISCLOSURE**

The sum of minimum future lease payments under capital lease agreements is classified as Capital Leases Payable in the General Long-Term Debt Account Group and the assets financed by the lease agreements are recorded as fixed assets in the General Fixed Assets Account Group. Assets within the General Fixed Assets Account Group under capital leases have a total carrying amount of \$459,000 as of June 30, 2003.

The following is a schedule of the minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

	General Long Term Obligations Year Ending	Equipment
	2004	\$44,964
	2005	78,223
	2006	78,299
	2007	78,010
	2008	77,431
	2009	77,547
	2010	75,908
	2011	16,349
Total Minimum Lease Payments		526,731
Less: Amount Representing Interest		(67,731)
Present Value of Future Minimum Lease Payments		\$459,000

**NOTE 9 – DEBT**

General obligation bonds were issued to provide funds for the acquisition and construction of equipment and facilities for which the full faith and credit of the School District is pledged for repayment. Accordingly, such obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

The following is a description of the District bonds outstanding as of June 30, 2003:

Description	Interest Rates	Issue Date	Maturity Date	Original Amount	Retired In 2003	Outstanding 06/30/03
General Obligation Bonds	5.3850	04/01/94	12/01/13	2,385,000	\$125,000	1,610,000
School Bus Bonds	5.5692	05/01/96	04/01/05	249,000	30,000	64,000
Permanent Improvement	5.6000	11/01/99	12/01/04	335,000	65,000	145,000
Energy Bond	5.8500	09/01/00	12/01/10	300,000	25,000	255,000
Energy Bond	5.7000	11/01/99	12/01/09	350,000	30,000	265,000
Totals				\$3,619,000	\$275,000	\$2,339,000

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2004	\$287,000	\$127,951	\$414,951
2005	302,000	111,744	413,744
2006	215,000	96,517	311,517
2007	225,000	84,236	309,236
2008	92,785	232,970	325,755
2009-2013	1,002,215	395,647	1,397,862
2014	215,000	6,665	221,665
Total	<u>\$2,339,000</u>	<u>\$1,055,730</u>	<u>\$3,394,730</u>

During the year ended June 30, 2003, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	Balance July 1, 2002	Increase	(Decrease)	Balance June 30, 2003
Compensated Absences	\$602,573	\$34,793		\$637,366
Pension Obligation Payable	56,639		\$1,810	54,829
Bonds and Notes Payable	2,614,000		275,000	2,339,000
Capital Leases Payable	12,052	459,000	12,052	459,000

*Legal Debt Margin:*

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed property valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the total assessed property valuation of the District. The effects of these debt limitations at June 30, 2003, are a voted debt margin of \$9,720,816 (including available funds of \$94,152) and an unvoted debt margin of \$126,609.

**NOTE 10 - PENSION OBLIGATIONS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contribution to SERS for the years ended June 30, 2003, 2002, and 2001 were \$166,583, \$153,718, and \$150,435 respectively; 49 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$84,131 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the long-term obligations account group.



**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement, disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution to STRS for the years ended June 30, 2003, 2002, and 2001, were \$515,339, \$501,398, and \$496,898, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$87,373 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002 (the date of the most recent information available), the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, the allocation rate is 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2003, the minimum pay has been established as \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The District contributed \$88,200 to fund postemployment benefits for the fiscal year ended June 30, 2003.

**NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains three (3) enterprise funds to account for the operations of food service, uniform school supplies, and a collaborative preschool program. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprise</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$190,308	\$18,212		\$208,520
Operating Expenditures				
Less Depreciation	(352,373)	(23,316)		(375,689)
Depreciation Expense	(3,790)			(3,790)
Operating (Loss)	(165,855)	(5,104)		(170,959)
Donated Commodities	25,733			25,733
Grants	85,026			85,026
Other	8,750			8,750
Interest	152			152
Transfers In	39,240			39,240
Net Loss	(6,954)	(5,104)		(12,058)
Working Capital	(13,739)	10,963	\$279	(2,497)
Total Assets	73,705	10,963	279	84,947
Total Liabilities	43,703			43,703
Total Equity	30,002	10,963	279	41,244

**NOTE 13 - RISK MANAGEMENT**

*Property and Liability*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the District contracted with Indiana Insurance for property and general liability insurance with a \$31,455,498 limit. There is a \$2,500 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance covers the boiler and machinery with a \$2,500 deductible.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

Professional liability is protected by the Harcum - Hyre Insurance Agency with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate, a \$500,000 fire damage limit (any one fire) and a \$10,000 medical expense limit (any one person), with a \$0 deductible per occurrence.

Vehicles are covered by Indiana Insurance and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in the past three years. There have been no significant reductions in insurance coverage from last year, except elimination of a \$1 million umbrella liability coverage.

*Workers' Compensation*

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

*Employee Medical Benefits*

As of August 10, 1982, the District has contracted with the Wood County Insurance Consortium (Note 17) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution to a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2003, the District's and the employees' premiums, respectively, were \$936.40 and \$77.00 for the indemnity plan family coverage, \$727.54 and \$22.00 for the Preferred Provider Option plan, and \$349.70 for the single indemnity plan with a co-pay of \$28.00, and \$272.97 for the single Preferred Provider Option plan with a co-pay of \$8.00. Dental insurance is also provided by the District to all employees through Wood County Insurance Consortium. For fiscal year 2003, the District's cost was a composite rate of \$51.41 per month per employee. No cap on the dental premium is in place for classified employees for 2003, and there is a co-pay of \$5.00 for dental insurance for certified and classified staff members.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The Wood County Insurance Consortium Administrative Committee has the right to return monies to an existing school district subsequent to the settlement of all claims.

**NOTE 14 - CONTINGENT LIABILITIES**

The School District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 15 - CONTRIBUTED CAPITAL**

Contributed capital represents resources contributed from other governments, or other funds of the District that are not subject to repayment. These assets are recorded at a cost-based measure of fair value on the date the asset is contributed. There were no changes during 2003 in the contributed capital balance of \$106,993.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Penta County Joint Vocational School**

The District is a member district of Penta County Joint Vocation School. The Penta County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven members, each appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood Educational Service Centers and one each from the Bowling Green, Maumee City Boards of Education, and Rossford Exempted Village Board of Education. Five members are appointed during the odd number years, one each from Fulton, Lucas, Sandusky, and Wood Educational Service Centers and one from the Perrysburg Exempted Village Board of Education. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

**B. Northern Ohio Educational Computer Association**

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of 42 educational entities, primarily school districts, located in Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. During fiscal year 2003, the District paid \$31,532 in assessments to the consortium. Financial information can be obtained from Erie-Ottawa County Educational Service Center, from Betty Schwiesert, who serves as Treasurer, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**NOTE 17 - INSURANCE PURCHASING POOLS**

**A. Wood County Insurance Consortium**

The District participates in the Wood County Insurance Consortium (WCIC), a public entity shared risk pool consisting of six local school districts, three city or exempted village school districts, one vocational school, and the Educational Service Center. WCIC is organized as a Voluntary Employee Benefit Association under Section 501 (c) (9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the administration of WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Michelle Sims, CoreSource, P.O. Box 6118, Westerville, Ohio 43086-6118.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (WCGRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 18 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. For fiscal year 2003, only the unspent portion of certain workers compensation refunds are required to be set aside at fiscal year end.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	(\$121,650)		\$2,013
Current Year Set-aside Requirement	121,889	\$121,889	
Qualifying Disbursements	<u>(115,239)</u>	<u>(298,841)</u>	<u>(2,013)</u>
Total	<u>(\$115,000)</u>	<u>(\$176,952)</u>	
Cash Balance Carried Forward to FY 2004	<u>(\$115,000)</u>		

If the school district deposits (or spends) monies into the textbook and instructional material set-aside in excess of the required deposit for that year, the board may deduct the excess amount of money from the required deposit in future fiscal years.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

Effective April 10, 2001, Am. Sub. Senate Bill 345, eliminated the requirement for the budget stabilization reserve set-aside established by H.B. 412. According to S.B. 345, any money on hand in the District's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in a budget reserve account as authorized by the Ohio Revised Code 5705.13 for use by the board to offset any budget deficit the District may experience in future fiscal years. The statute also authorizes the District to use all or part of the funds formerly included in the budget reserve for the purpose of providing the District's portion of the basic project costs of any project undertaken in accordance with the Ohio Revised Code 3318, Classroom Facilities. Senate Bill 345 places special conditions on any Bureau of Workers Compensation (BWC) monies remaining in the budget reserve set-aside as of April 10, 2001. Any portion of the budget reserve set-aside consisting of refunds or rebates from BWC that were previously required by law to be deposited into the budget reserve may be used solely for specified purposes. In May 2001, the Board authorized the non-BWC rebate funds in the budget reserve to be returned to the General Fund.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

Board of Education  
Northwood Local School District  
600 Lemoyne Street  
Northwood, Ohio 43619

We have audited the general purpose financial statements of Northwood Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Northwood Local School District Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Weber O'Brien LTD.*

December 3, 2003







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**NORTHWOOD LOCAL SCHOOL DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2004**