

***NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO***

AUDIT REPORT

For the Year Ended June 30, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Northwood Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 10, 2014

This page intentionally left blank.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds.....	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances –Budget and Actual - Budget Basis – General Fund.....	15
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds	17
Notes to the Financial Statements	19-40
Federal Awards Receipts and Expenditures Schedule.....	41
Notes to the Federal Awards Receipts and Expenditures Schedule	42
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43-44
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	45-46
Schedule of Findings and Questioned Costs.....	47-50
Corrective Action Plan.....	51
Schedule of Prior Audit Findings.....	52
Independent Accountants' Report on Applying Agreed-Upon Procedure	53

This page intentionally left blank.

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

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

INDEPENDENT AUDITORS' REPORT

Northwood Local School District
Wood County
600 Lemoyne Road
Northwood, Ohio 43619

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwood Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District, Wood County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary and Other Information


We audited to opine on the District's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. The Federal Awards Receipts and Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

November 14, 2013

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The Management's Discussion and Analysis of the Northwood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- The total net cash position of the District increased \$251,170 or 5.10% from fiscal year 2012.
- General cash receipts accounted for \$9,435,326, or 81.92% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$2,081,960 or 18.08% of total governmental activities cash receipts of \$11,517,286.
- The District had \$11,266,116 in cash disbursements related to governmental activities; \$2,081,960 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,435,326 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$10,027,219 in cash receipts and \$9,539,434 in cash disbursements. During fiscal year 2013, the general fund cash balance increased \$487,785 from \$3,873,530 to \$4,361,315.
- The permanent improvement fund had \$286,634 in cash receipts and \$498,879 in cash disbursements. During fiscal year 2013, the permanent improvement fund cash balance decreased \$212,245 from \$803,294 to \$591,049.

Using the Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during fiscal year 2013?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 11-12 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 13-15 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. These activities are presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and changes in fiduciary net position - cash basis on pages 16 and 17. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-40 of this report.

The District as a Whole

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2013 and 2012.

Net Cash Position

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 5,172,299	\$ 4,921,129
Total assets	<u>\$ 5,172,299</u>	<u>\$ 4,921,129</u>
<u>Net cash position</u>		
Restricted	\$ 827,013	\$ 1,055,675
Unrestricted	<u>4,345,286</u>	<u>3,865,454</u>
Total net cash position	<u>\$ 5,172,299</u>	<u>\$ 4,921,129</u>

At June 30, 2013, the District's net cash position was \$5,172,299. A portion of this amount, \$827,013, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,345,286 may be used to meet the District's ongoing obligations to the students and creditors.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The table below shows the change in net cash position for fiscal years 2013 and 2012.

	Change in Net Cash Position	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Cash receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 1,084,489	\$ 1,224,638
Operating grants and contributions	997,471	1,154,185
General cash receipts:		
Property taxes	5,954,772	5,555,250
Payment in lieu of taxes	144,100	184,027
Grants and entitlements	3,186,860	3,401,126
Investment earnings	21,254	19,679
Miscellaneous	<u>128,340</u>	<u>78,757</u>
Total cash receipts	<u>11,517,286</u>	<u>11,617,662</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	4,860,032	4,547,562
Special	1,064,614	1,029,998
Vocational	174,241	188,226
Other	18,407	30,773
Support services:		
Pupil	322,892	326,376
Instructional staff	802,264	729,252
Board of education	15,007	34,789
Administration	644,347	691,104
Fiscal	355,260	362,729
Business	1,266	-
Operations and maintenance	783,933	874,793
Pupil transportation	491,509	498,449
Central	25,194	32,212
Food service operations	405,047	395,738
Other non-instructional services	3,000	-
Extracurricular activities	502,063	460,695
Facilities acquisition and construction	559,690	183,129
Debt service:		
Principal retirement	225,000	215,000
Interest and fiscal charges	<u>12,350</u>	<u>23,790</u>
Total cash disbursements	<u>11,266,116</u>	<u>10,624,615</u>
Change in net cash position	251,170	993,047
Net cash position at beginning of year	<u>4,921,129</u>	<u>3,928,082</u>
Net cash position at end of year	<u>\$ 5,172,299</u>	<u>\$ 4,921,129</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

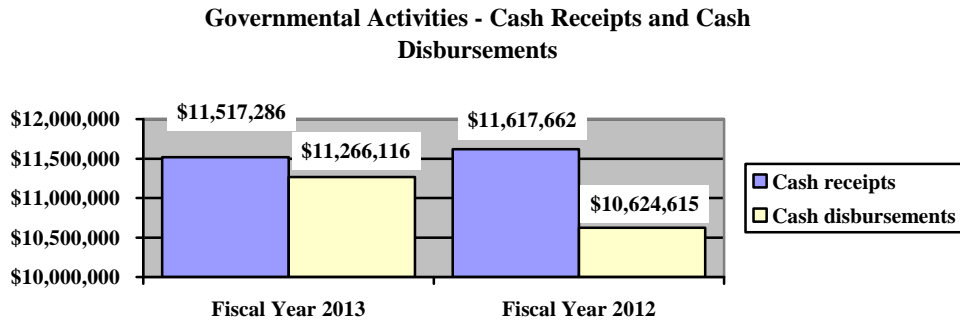
Governmental Activities

Net cash position of the District's governmental activities increased \$251,170. Total governmental cash disbursements of \$11,266,116 were offset by program cash receipts of \$2,081,960 and general cash receipts of \$9,435,326. Program cash receipts supported 18.48% of the total governmental disbursements in fiscal year 2013, compared to 22.39% in the previous year. The primary factor for the decrease in charges for services and sales was a reduction in open enrollment tuition receipts. The main source of the District's operating grants and contributions is federal grants. The elimination of the federal Education Jobs grant program and decreased grant funding for the District's special education program both contributed heavily to the decrease in operating grants and contributions.

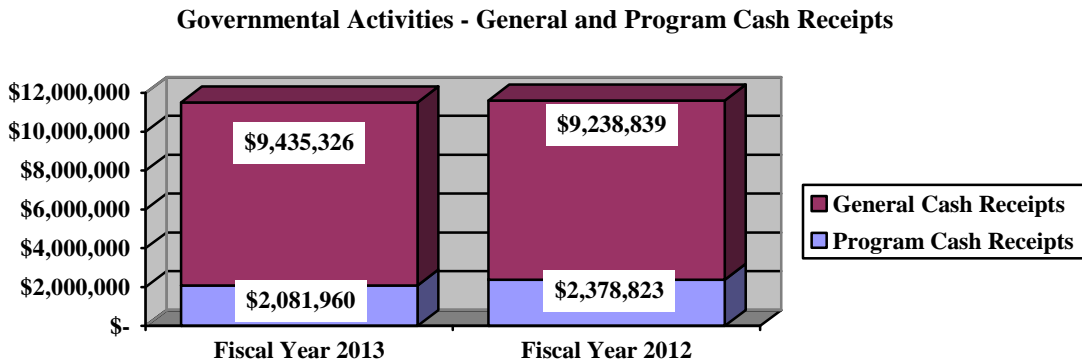
The primary sources of receipts for governmental activities are derived from property taxes and unrestricted grants and entitlements. These sources represent 79.37% of total governmental cash receipts. Property taxes receipts increased nearly \$400,000 due to collections on outstanding delinquent accounts.

The largest cash disbursement of the District is for instructional programs. Instruction disbursements totaled \$6,117,294 or 54.30% of total governmental disbursements for fiscal year 2013. Overall, cash disbursements for the District increased approximately six percent. A significant contributing factor to this increase was a roof replacement project that the District completed during fiscal year 2013.

The graph below presents the District's cash receipts and cash disbursements for fiscal years 2013 and 2012.



The graph below presents the District's governmental activities cash receipts for the fiscal years 2013 and 2012.



**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Governmental Activities				
Program cash disbursements				
Instruction:				
Regular	\$ 4,860,032	\$ 3,940,696	\$ 4,547,562	\$ 3,431,610
Special	1,064,614	561,483	1,029,998	316,870
Vocational	174,241	164,460	188,226	178,445
Other	18,407	18,407	30,773	30,773
Support services:				
Pupil	322,892	322,892	326,376	326,376
Instructional staff	802,264	726,860	729,252	713,260
Board of education	15,007	15,007	34,789	34,789
Administration	644,347	643,188	691,104	687,796
Fiscal	355,260	355,260	362,729	362,729
Business	1,266	1,266	-	-
Operations and maintenance	783,933	783,933	874,793	874,793
Pupil transportation	491,509	478,931	498,449	485,014
Central	25,194	23,234	32,212	32,212
Food service operations	405,047	(19,151)	395,738	18,437
Other non-instructional services	3,000	-	-	-
Extracurricular activities	502,063	370,650	460,695	330,769
Facilities acquisition and construction	559,690	559,690	183,129	183,129
Debt service:				
Principal retirement	225,000	225,000	215,000	215,000
Interest and fiscal charges	<u>12,350</u>	<u>12,350</u>	<u>23,790</u>	<u>23,790</u>
Total cash disbursements	<u>\$ 11,266,116</u>	<u>\$ 9,184,156</u>	<u>\$ 10,624,615</u>	<u>\$ 8,245,792</u>

The dependence upon general cash receipts for governmental activities is apparent; with 81.52% and 77.61% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2013 and 2012, respectively.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund cash balance of \$5,172,299, which is \$251,170 higher than last year's total of \$4,921,129. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and June 30, 2012, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2013</u>	Fund Cash Balance <u>June 30, 2012</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 4,361,315	\$ 3,873,530	\$ 487,785	12.59 %
Permanent improvement	591,049	803,294	(212,245)	(26.42) %
Nonmajor governmental	<u>219,935</u>	<u>244,305</u>	<u>(24,370)</u>	(9.98) %
Total	<u>\$ 5,172,299</u>	<u>\$ 4,921,129</u>	<u>\$ 251,170</u>	5.10 %

General Fund

The table that follows assists in illustrating the cash receipts and disbursements of the general fund.

	2013 <u>Amount</u>	2012 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 5,609,883	\$ 5,178,414	\$ 431,469	8.33 %
Tuition	750,018	886,755	(136,737)	(15.42) %
Intergovernmental	3,401,162	3,600,871	(199,709)	(5.55) %
Other revenues	<u>266,156</u>	<u>251,664</u>	<u>14,492</u>	5.76 %
Total	<u>\$ 10,027,219</u>	<u>\$ 9,917,704</u>	<u>\$ 109,515</u>	1.10 %
<u>Cash disbursements</u>				
Instruction	\$ 5,756,534	\$ 5,175,697	\$ 580,837	11.22 %
Support services	3,353,929	3,511,890	(157,961)	(4.50) %
Extracurricular activities	360,638	328,910	31,728	9.65 %
Facilities acquisition and construction	<u>68,333</u>	<u>50,411</u>	<u>17,922</u>	35.55 %
Total	<u>\$ 9,539,434</u>	<u>\$ 9,066,908</u>	<u>\$ 472,526</u>	5.21 %

The significant decrease in tuition was primarily due to a reduction in open enrollment receipts, which resulted from lower enrollment from students living outside the District. Intergovernmental receipts also decreased, which was primarily a result of the continued phase out of tangible personal property tax loss reimbursements from the State. The large increase in taxes receipts is primarily a result of collections on delinquent accounts.

The most significant change in general fund cash disbursements was for instructional services. The District purchased new computer equipment during the year which contributed to this increase. In addition, instructional spending related to the District's special learning programs for handicapped students increased. The decrease in support services disbursements is primarily due to a reduction in maintenance staff and also decreased costs for care and upkeep of the District's buildings.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Permanent Improvement Fund

The District's permanent improvement fund is reported as a major fund. This fund accounts for the accumulation of resources to be used for construction and improvement of school facilities. The permanent improvement fund had \$286,634 in cash receipts and \$498,879 in cash disbursements. During fiscal year 2013, the permanent improvement fund cash balance decreased \$212,245 from \$803,294 to \$591,049.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgetary basis receipts and other financing sources were \$176,600 above original budget estimates of \$9,846,070. Taxes receipts increased \$234,884 from the original budgeted amount. The original budget tuition receipts of \$875,000 were decreased to \$750,038 in the final budget. The actual budgetary basis receipts and other financing sources of \$10,035,215 exceeded the final budget estimate by \$12,545. The original budgetary basis disbursements and other financing uses of \$11,385,040 were decreased to \$11,382,542 in the final budget. The actual budgetary basis disbursements and other financing uses were \$9,687,593, or \$1,694,949 less than the final budgeted amount as the District realized savings in nearly all general fund programs.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$559,690 during fiscal year 2013.

Debt Administration

At June 30, 2013, the District had \$125,000 in general obligation bonds outstanding, all of which is due within one year. Refer to Note 7 to the basic financial statements for additional information.

Current Issues

The District's current five-year forecast no longer reflects deficit spending for fiscal year 2014 and shows positive cash balances through the life of the forecast. The District's voters approved a 1.5 mill permanent improvement levy in May 2009 which began collection in January 2010. This levy is anticipated to generate approximately \$180,000 annually.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Angel Adamski, Treasurer, Northwood Local School District, 600 Lemoyne Road, Northwood, Ohio 43619.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 5,172,299
 Total assets	 \$ 5,172,299
 Net cash position:	
Restricted for:	
Capital projects	\$ 591,049
Debt service	116,968
Locally funded programs	6,491
Student activities.	34,279
Food service operations	78,226
Unrestricted	4,345,286
 Total net cash position.	 \$ 5,172,299

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,860,032	\$ 833,998	\$ 85,338	\$ (3,940,696)
Special	1,064,614	75	503,056	(561,483)
Vocational	174,241	-	9,781	(164,460)
Other	18,407	-	-	(18,407)
Support services:				
Pupil.	322,892	-	-	(322,892)
Instructional staff	802,264	-	75,404	(726,860)
Board of education	15,007	-	-	(15,007)
Administration.	644,347	-	1,159	(643,188)
Fiscal.	355,260	-	-	(355,260)
Business.	1,266	-	-	(1,266)
Operations and maintenance	783,933	-	-	(783,933)
Pupil transportation.	491,509	-	12,578	(478,931)
Central	25,194	-	1,960	(23,234)
Operation of non-instructional services:				
Food service operations	405,047	143,331	280,867	19,151
Other non-instructional services	3,000	-	3,000	-
Extracurricular activities	502,063	107,085	24,328	(370,650)
Facilities acquisition and construction	559,690	-	-	(559,690)
Debt service:				
Principal retirement	225,000	-	-	(225,000)
Interest and fiscal charges.	12,350	-	-	(12,350)
Total governmental activities	\$ 11,266,116	\$ 1,084,489	\$ 997,471	(9,184,156)

General cash receipts:

Property taxes levied for:	
General purposes	5,609,883
Debt service.	186,450
Permanent improvements	158,439
Payment in lieu of taxes.	144,100
Grants and entitlements not restricted	
to specific programs	3,186,860
Investment earnings.	21,254
Miscellaneous.	128,340
Total general cash receipts	9,435,326
Change in net cash position	251,170
Net cash position at beginning of year.	4,921,129
Net cash position at end of year	\$ 5,172,299

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 4,361,315	\$ 591,049	\$ 219,935	\$ 5,172,299
Total assets	\$ 4,361,315	\$ 591,049	\$ 219,935	\$ 5,172,299
Fund cash balances:				
Restricted:				
Debt service	\$ -	\$ -	\$ 116,968	\$ 116,968
Capital improvements	-	591,049	-	591,049
Food service operations	-	-	78,226	78,226
Wellness program	-	-	6,491	6,491
Extracurricular activities.	-	-	34,279	34,279
Committed:				
Future severance payments	298,541	-	-	298,541
Assigned:				
Student instruction	43,755	-	-	43,755
Student and staff support.	139,997	-	-	139,997
Facilities acquisition and construction	9,654	-	-	9,654
School supplies.	218	-	-	218
Educational activities.	422	-	-	422
Subsequent year's appropriations.	525,438	-	-	525,438
Unassigned (deficit)	3,343,290	-	(16,029)	3,327,261
Total fund cash balances	\$ 4,361,315	\$ 591,049	\$ 219,935	\$ 5,172,299

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 5,609,883	\$ 158,439	\$ 186,450	\$ 5,954,772
Payment in lieu of taxes	38,189	105,911	-	144,100
Tuition.	750,018	-	-	750,018
Earnings on investments	21,254	-	18	21,272
Charges for services	-	-	143,331	143,331
Extracurricular.	45,410	-	107,085	152,495
Classroom materials and fees	37,045	-	-	37,045
Other local revenues	124,258	37	31,933	156,228
Intergovernmental - state	3,401,162	22,247	36,881	3,460,290
Intergovernmental - federal	-	-	697,735	697,735
Total revenues	<u>10,027,219</u>	<u>286,634</u>	<u>1,203,433</u>	<u>11,517,286</u>
Cash disbursements:				
Current:				
Instruction:				
Regular.	4,773,073	5,244	81,715	4,860,032
Special	790,813	-	273,801	1,064,614
Vocational	174,241	-	-	174,241
Other	18,407	-	-	18,407
Support services:				
Pupil	322,892	-	-	322,892
Instructional staff	721,223	-	81,041	802,264
Board of education	15,007	-	-	15,007
Administration	643,097	-	1,250	644,347
Fiscal	350,323	2,278	2,659	355,260
Business.	1,266	-	-	1,266
Operations and maintenance	783,933	-	-	783,933
Pupil transportation	491,069	-	440	491,509
Central	25,119	-	75	25,194
Operation of non-instructional services:				
Food service operations.	-	-	405,047	405,047
Other non-instructional services	-	-	3,000	3,000
Extracurricular activities.	360,638	-	141,425	502,063
Facilities acquisition and construction.	68,333	491,357	-	559,690
Debt service:				
Principal retirement.	-	-	225,000	225,000
Interest and fiscal charges	-	-	12,350	12,350
Total cash disbursements	<u>9,539,434</u>	<u>498,879</u>	<u>1,227,803</u>	<u>11,266,116</u>
Net change in fund cash balances	487,785	(212,245)	(24,370)	251,170
Fund cash balances at beginning of year	<u>3,873,530</u>	<u>803,294</u>	<u>244,305</u>	<u>4,921,129</u>
Fund cash balances at end of year	<u>\$ 4,361,315</u>	<u>\$ 591,049</u>	<u>\$ 219,935</u>	<u>\$ 5,172,299</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 5,375,000	\$ 5,609,884	\$ 5,609,883	\$ (1)
Payment in lieu of taxes	51,400	51,400	38,189	(13,211)
Tuition.	875,000	750,038	750,018	(20)
Earnings on investments	20,000	21,563	21,254	(309)
Classroom materials and fees	28,500	30,470	30,410	(60)
Other local revenues	61,000	27,336	93,103	65,767
Intergovernmental - state	3,420,170	3,440,627	3,401,162	(39,465)
Total budgetary basis receipts	<u>9,831,070</u>	<u>9,931,318</u>	<u>9,944,019</u>	<u>12,701</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,030,338	5,104,768	4,773,784	330,984
Special.	977,084	923,793	846,767	77,026
Vocational.	199,555	198,265	174,241	24,024
Other.	18,200	18,200	18,407	(207)
Support services:				
Pupil.	496,565	463,126	322,892	140,234
Instructional staff	922,123	928,555	729,969	198,586
Board of education	23,030	25,325	15,386	9,939
Administration.	919,428	919,468	645,258	274,210
Fiscal	571,361	564,876	352,462	212,414
Business	11,079	11,279	1,266	10,013
Operations and maintenance.	1,163,573	1,188,493	846,867	341,626
Pupil transportation	534,118	520,348	496,551	23,797
Central.	28,281	28,291	25,119	3,172
Operation of non-instructional services	1,300	1,300	-	1,300
Extracurricular activities.	374,355	378,005	360,638	17,367
Facilities acquisition and construction	89,650	83,450	77,986	5,464
Total budgetary basis disbursements	<u>11,360,040</u>	<u>11,357,542</u>	<u>9,687,593</u>	<u>1,669,949</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(1,528,970)</u>	<u>(1,426,224)</u>	<u>256,426</u>	<u>1,682,650</u>
Other financing sources (uses):				
Refund of prior year's expenditures	15,000	70,000	69,844	(156)
Refund of prior year's receipts.	(25,000)	(25,000)	-	25,000
Sale of assets.	-	21,352	21,352	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>66,352</u>	<u>91,196</u>	<u>24,844</u>
Net change in fund cash balance	(1,538,970)	(1,359,872)	347,622	1,707,494
Fund cash balance at beginning of year	3,269,530	3,269,530	3,269,530	-
Prior year encumbrances appropriated	550,117	550,117	550,117	-
Fund cash balance at end of year.	\$ 2,280,677	\$ 2,459,775	\$ 4,167,269	\$ 1,707,494

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents . . .	\$ 77,233	\$ 34,335
Total assets	\$ 77,233	\$ 34,335
Net cash position:		
Held in trust for scholarships.	\$ 77,233	\$ -
Held for students	-	34,335
Total net cash position	\$ 77,233	\$ 34,335

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
Additions:	
Interest.	\$ 44
Gifts and contributions.	10,970
Total additions.	11,014
Deductions:	
Non-instructional services.	5,350
Change in net cash position	5,664
Net cash position at beginning of year. . .	71,569
Net cash position at end of year	\$ 77,233

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1964. It is located in Wood County. The District is staffed by 34 classified employees, 51 certificated teaching personnel, and 14 administrative employees who provide services to 988 students and other community members. The District currently operates three instructional buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating school districts are limited to its representation on the Board. The District paid \$45,326 to NOECA in fiscal year 2013 for services. Financial information can be obtained by contacting NOECA, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Penta Career Center

The Penta Career Center (the "Center") is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board consisting of nine members from the participating school districts' elected Boards. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa and Sandusky; and one representative from each of the most populous counties: Lucas and Wood. The Center's Board possesses its own budgeting and taxing authority. Financial information can be obtained from Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

Northwestern Ohio Educational Research Council

The Northwestern Ohio Educational Research Council (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Box 456, Ashland, Ohio, 44805.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

INSURANCE PURCHASING POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc. and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Wood County School Benefit Plan Association

The District participates in the Wood County Schools Benefit Plan Association (the "Association"); a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and an educational service center. The Association is organized as a Voluntary Employee Benefits Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental and other benefits to the employees of the participating members. Each participating member's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each member decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Medical Mutual of Ohio, P.O. Box 943, Toledo, Ohio 43656.

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources to be used for the construction and improvement of school facilities as are authorized by Chapter 5705, Revised Code.

Other governmental funds of the District are used to account for (a) specific cash receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to disbursements for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private purpose trust funds account for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student-managed activities.

D. Basis of Presentation

Government-wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its agency funds. The primary level of budgetary control is at the fund, object level for the general fund, and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for rate determination. The Wood County Budget Commission waived the tax budget filing requirement for fiscal year 2013.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2013.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund-object level of expenditures for the general fund, and at the fund level for all other funds, which are the legal level of budgetary controls. Prior to the passage of the annual appropriations measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, 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 total of any level of control. Any revisions that alter the total object appropriations within a fund (for general fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 basic financial statements.

During fiscal year 2013, investments consisted of federal agency securities, money market mutual funds, negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest receipts credited to the general fund during fiscal year 2013 amounted to \$21,254, which includes \$3,899 assigned from other funds.

For presentation on the basic financial statements, 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.

An analysis of the District's investment account at year end is provided in Note 4.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment healthcare.

K. Fund Cash Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position are available. The District did not have any assets restricted by enabling legislation at June 30, 2013.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2013.

N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund advances and transfers are eliminated in the statement of activities - cash basis.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

C. Deficit Fund Balance

At June 30, 2013, the Title I fund (a nonmajor governmental fund) had a deficit fund balance of \$16,029. The deficit resulted from expenditures made in advance of federal grant monies that the District received in fiscal year 2014.

NOTE 4 - DEPOSITS AND INVESTMENTS

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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 any 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;

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, or legal governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest 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 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.

A. Cash on Hand

At year end, the District had \$2,300 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$1,592,680. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, none of the District's bank balance of \$1,898,803 was exposed to custodial credit risk as discussed below.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2013, the District had the following investments and maturities:

Investment type	Balance at Carrying Value	Balance at Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC	\$ 503,500	\$ 502,323	\$ -	\$ 250,270	\$ 252,053	\$ -	\$ -
FNMA	482,060	473,299	-	-	212,892	-	260,407
Negotiable CDs	740,868	741,859	-	-	120,311	370,423	251,125
STAR Ohio	1,944,668	1,944,668	1,944,668	-	-	-	-
U.S. Government money market funds	17,791	17,791	17,791	-	-	-	-
	<u>\$ 3,688,887</u>	<u>\$ 3,679,940</u>	<u>\$ 1,962,459</u>	<u>\$ 250,270</u>	<u>\$ 585,256</u>	<u>\$ 370,423</u>	<u>\$ 511,532</u>

The weighted average maturity of investments is 0.75 years.

Interest Rate Risk: Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% to Total</u>
FHLMC	\$ 503,500	13.65
FNMA	482,060	13.07
Negotiable CDs	740,868	20.08
STAR Ohio	1,944,668	52.72
U.S. Government money market funds	<u>17,791</u>	<u>0.48</u>
	<u>\$ 3,688,887</u>	<u>100.00</u>

D. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2013:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 1,592,680
Investments	3,688,887
Cash on hand	<u>2,300</u>
Total	<u>\$ 5,283,867</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 5,172,299
Private purpose trust funds	77,233
Agency fund	<u>34,335</u>
Total	<u>\$ 5,283,867</u>

NOTE 5 - PROPERTY TAXES

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

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential real	\$ 71,296,300	61.72	\$ 71,327,720	61.10
Industrial/commercial real	42,037,780	36.39	43,264,830	37.06
Public utility personal	<u>2,181,010</u>	<u>1.89</u>	<u>2,148,850</u>	<u>1.84</u>
Total	<u>\$ 115,515,090</u>	<u>100.00</u>	<u>\$ 116,741,400</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$79.42		\$77.67

NOTE 6 - PAYMENT IN LIEU OF TAXES

According to State law, Wood County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to these property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - LONG-TERM OBLIGATIONS

During fiscal year 2013, the following changes occurred in the District's long-term obligations:

	Balance Outstanding <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2013</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
FY 2005 school improvement refunding bonds	\$ 350,000	\$ -	\$ (225,000)	\$ 125,000	\$ 125,000
Total governmental activities	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ (225,000)</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>

FY 2005 School Improvement Refunding Bonds - On September 1, 2004, the District issued general obligation bonds, in the amount of \$1,005,000 to refund bonds previously issued in fiscal year 1994 for renovating and equipping school facilities. The bonds were issued for a ten year period, with final maturity during fiscal year 2014. The bonds are being retired through the bond retirement debt service fund (a nonmajor governmental fund).

Principal and interest requirements to retire the refunding bonds at June 30, 2013, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 125,000	\$ 3,250	\$ 128,250
Total	<u>\$ 125,000</u>	<u>\$ 3,250</u>	<u>\$ 128,250</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$10,498,694 (including available funds of \$116,968) and an unvoted debt margin of \$116,741.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in the Ohio School Plan, an insurance purchasing pool, as described in Note 2.A.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 8 - RISK MANAGEMENT - (Continued)

During fiscal year 2013, the District purchased the following coverage:

Buildings and contents - replacement cost	\$ 41,652,008
Automobile liability	2,000,000
General school district liability:	
Per occurrence	2,000,000
Total per year	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior year.

The District participates in the Wood County Schools Benefit Plan Association (the "Association"), a public entity shared risk pool, for employee medical and dental benefits and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These memberships are described in Note 2.A.

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$144,175, \$147,800 and \$129,962, respectively; 69.28 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 9 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$473,458, \$465,498 and \$479,595, respectively; 84.24 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 (the latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$19,581, \$24,887 and \$15,736, respectively; 69.28 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$8,144, \$8,728 and \$8,363, respectively; 69.28 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$36,420, \$35,808 and \$38,002, respectively; 84.24 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Health Care Benefits

The District provides medical and dental insurance to all employees through the Wood County Schools Benefit Plan Association. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The District also offers life insurance to all employees through the Fort Dearborn/Dearborn Life Insurance Company.

NOTE 12 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	174,552
Current year offsets	<u>(180,686)</u>
Total	<u>\$ (6,134)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 347,622
Funds budgeted elsewhere	4,913
Adjustment for encumbrances	135,250
Cash basis	\$ 487,785

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the band instrument fund, uniform school supplies fund, public school support fund, Northwood school bus activity fund and special enterprise fund.

NOTE 15 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 135,250
Permanent improvement	6,414
Nonmajor governmental	21,537
Total	\$ 163,201

**Northwood Local School District
Federal Awards Receipts and Expenditures Schedule
For the Year Ending June 30, 2013**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass through Ohio Department of Education			
Nutrition Cluster:			
Breakfast Program	10.553	\$ 57,448	\$ 57,448
National School Lunch Program	10.555	217,378	217,378
Non-Cash Assistance			
National School Lunch Program - Food Commodities - Note C		19,745	19,745
Total Nutrition Cluster		294,571	294,571
NSL&B Programs Expansion Grant	10.560	3,000	3,000
Total U.S. Department of Agriculture		297,571	297,571
<u>U.S. Department of Education</u>			
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - Basic Grant - FY 12	84.010	17,974	14,820
Title I - Basic Grant - FY 13	84.010	129,486	144,215
Total Title I		147,460	159,035
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Special Education Grants to States	84.027	193,897	193,897
Total Special Education Cluster		193,897	193,897
Title II-A			
Improving Teacher Quality - FY 12	84.367	1,275	990
Improving Teacher Quality - FY 13	84.367	32,778	32,778
Total Title II-A		34,053	33,768
Title II-D			
Education Technology	84.318	1,376	1,376
Total Title II-D		1,376	1,376
Education Jobs Fund			
Total Education Jobs Fund	84.410	43,124	42,709
		43,124	42,709
Total U.S. Department of Education		419,910	429,409
Total Federal Awards		\$ 717,481	\$ 726,980

See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Northwood Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement values. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Northwood Local School District
Wood County
600 Lemoyne Road
Northwood, Ohio 43619

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-02 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

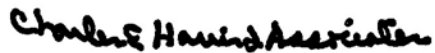
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

Entity's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
November 14, 2013

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Northwood Local School District
Wood County
600 Lemoyne Road
Northwood, Ohio 43619

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Northwood Local District, Wood County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Nutrition Cluster

As described in finding 2013-03 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Nutrition Cluster. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Nutrition Cluster*, the Northwood Local School District, Wood County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its Nutrition Cluster for the year ended June 30, 2013.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-03 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



CHARLES E. HARRIS & ASSOCIATES, INC.
November 14, 2013

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs</i>	Yes
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Qualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510 (a)</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	Child Nutrition Cluster: CFDA # 10.553: National School Breakfast Program CFDA #10.555: National School Lunch Program and Donated Commodities
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

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

FINDING NUMBER 2013-01: Noncompliance

Ohio Revised Code §117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-02-03 further clarifies the requirements of Ohio Revised Code §117.38.

Ohio Administrative Code §117-2-03 requires the District prepare its annual financial report in accordance with generally accepted accounting principles in the United States of America. However, the District prepares its financial statements on a cash basis of accounting, which is a basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend that District prepare its statements in accordance with generally accepted accounting principles in the United States of America.

Official's Response:

As one of the many cost cutting items identified for 2013, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.

FINDING NUMBER 2013-02: Material Weakness

Finding 2013-03 describes unallowable costs being paid from the Nutrition Cluster, and appropriate adjustment that was posted. We believe this finding also represents a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Official's Response:

The food service fund is a fund of co-mingled local dollars provided by the daily lunch purchases as well as federal dollars provided through the free and reduced lunch reimbursement program. It would be easy to believe that the semi-annual certifications or time and effort logs are not necessary due to locally raised funds.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2013-03: Allowable Costs / Cost Principles – Non-Compliance, Material Weakness and Questioned Cost

CFDA Title and Number	10.553 and 10.555 Nutrition Cluster
Federal Award Number/Year	FY 2013
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

2 C.F.R., Part 225, Appendix A(C)(1) provides, in part, that to be allowable under Federal awards, costs must be authorized or not prohibited under State or local laws or regulations.

In addition, **2 C.F.R. part 225, Appendix B paragraph 8(h)(3)-(4)** provides where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory officials having firsthand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- More than one Federal award,
- A Federal award and a non-Federal award,
- An indirect cost activity and a direct cost activity,
- Two or more indirect activities which are allocated using different allocation bases, or
- An unallowable activity and a direct or indirect cost activity.

2 C.F.R., Part 225, Appendix B, paragraph 8.h.(5) further provides that personnel activity reports or equivalent documentation must:

- Reflect an after the fact distribution of the actual activity of each employee;
- Account for the total activity for which each employee is compensated;
- Be prepared at least monthly and must coincide with one or more pay periods; and,
- Be signed by the employee.

Our testing of payroll expenditures indicated that the District charged 50% of the Food Service Director / Maintenance Supervisor's salary and benefits in the amount of \$50,506 to the Food Service Fund, which is not specifically prohibited under State law. However, the District failed to maintain any periodic certifications, personnel activity reports, or other equivalent documents supporting these charges.

We are therefore questioning \$25,253 in salaries and fringe benefits for the employee mentioned as allowable costs of the Nutrition Cluster.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

FINDING NUMBER 2013-03: (Continued)

We recommend the Northwood Local School District remit from their General Fund to the Nutrition Cluster the amount of \$25,253. Furthermore, we recommend the District maintain time and effort documentation supporting the Food Service Director / Maintenance Supervisor's salary and benefits charged to the Nutrition Cluster. The District should maintain personal activity reports, or equivalent documentation required for all employees paid from any federal programs, in accordance with the requirements of 2 C.F.R. Part 225, Appendix B 8(H). This will help ensure the District is in compliance with all Federal time and effort documentation requirements. Failure to maintain adequate time and effort documentation could compromise the District's eligibility to participate in future Federal grants.

Official's Response:

The food service fund is a fund of co-mingled local dollars provided by the daily lunch purchases as well as federal dollars provided through the free and reduced lunch reimbursement program. It would be easy to believe that the semi-annual certifications or time and effort logs are not necessary due to locally raised funds.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A- 133 §.315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-03	The District will request a time and effort log for those staff members paid from multiple funds.	Fiscal Year 2014	Angel Adamski, Treasurer

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Revised Code § 117.38 and Administrative Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2013-01.

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

Charles E. Harris & Associates, Inc.

Certified Public Accountants

Independent Accountants' Report on Applying Agreed-Upon Procedure

Northwood Local School District
Wood County
600 Lemoyne Road
Northwood, Ohio 43619

To the Board of Education:

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

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

- We noted the Board amended its anti-harassment policy at its meeting on March 17, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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



Charles E. Harris & Associates, Inc.

November 14, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

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 23, 2014**