

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

AUDIT REPORT

For the Year Ended June 30, 2017





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwood Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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

February 23, 2018

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**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY
AUDIT REPORT
For the Year Ending June 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis 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, 2017, 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 the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwood Local School District, Wood County, Ohio, as of June 30, 2017, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

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 of accounting applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. Our opinion was not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis, as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.
December 27, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017, 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 2017 are as follows:

- The total net cash position of the District decreased \$20,909,056 or 53.95% from fiscal year 2016.
- General cash receipts accounted for \$14,120,977, or 84.93% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$2,505,620 or 15.07% of total governmental activities cash receipts of \$16,626,597.
- The District had \$37,535,653 in cash disbursements related to governmental activities; \$2,505,620 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 \$14,120,977 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund, building fund, and classroom facilities fund. The general fund had \$11,404,690 in cash receipts and \$11,405,245 in cash disbursements. During fiscal year 2017 the general fund cash balance decreased \$555 from \$4,482,413 to \$4,481,858.
- The permanent improvement fund had \$781,242 in cash receipts and \$193,737 in cash disbursements and other financing uses. During fiscal year 2017, the permanent improvement fund cash balance increased \$587,505 from \$1,616,200 to \$2,203,705.
- The building fund had \$29,555 in cash receipts and \$808,254 in cash disbursements. During fiscal year 2017, the building fund cash balance decreased \$778,699 from \$5,200,677 to \$4,421,978.
- The classroom facilities fund had \$2,927,244 in cash receipts and \$23,390,152 in cash disbursements. During fiscal year 2017, the classroom facilities fund cash balance decreased \$20,462,908 from \$27,160,390 to \$6,697,482.

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, permanent improvement fund, building fund, and the classroom facilities 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, 2017
(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 2017?" 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 13-14 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 10. 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, building fund, and the classroom facilities 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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-19 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 20 and 21. 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 22-51 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, 2017 and 2016.

Net Cash Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 17,844,962	\$ 38,754,018
Total assets	<u>\$ 17,844,962</u>	<u>\$ 38,754,018</u>
<u>Net cash position</u>		
Restricted	\$ 13,569,281	\$ 34,276,747
Unrestricted	<u>4,275,681</u>	<u>4,477,271</u>
Total net cash position	<u>\$ 17,844,962</u>	<u>\$ 38,754,018</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

At June 30, 2017, the District's net cash position was \$17,844,962. A portion of this amount, \$13,569,281 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,275,681 may be used to meet the District's ongoing obligations to the students and creditors. The decrease in net cash position is due to the increase in expenditures for the school facilities improvement project. The following table shows the change in net cash position for fiscal years 2017 and 2016.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Cash receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 1,455,756	\$ 1,423,853
Operating grants and contributions	1,049,864	885,166
General cash receipts:		
Property taxes	6,043,690	5,844,348
Payment in lieu of taxes	486,476	515,360
Income taxes	240,873	115,285
Grants and entitlements	6,926,702	13,115,425
Investment earnings	186,212	237,333
Miscellaneous	<u>237,024</u>	<u>149,487</u>
Total cash receipts	<u>16,626,597</u>	<u>22,286,257</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Change in Net Assets (Continued)

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	4,814,749	4,822,580
Special	1,536,379	1,445,638
Vocational	113,018	123,412
Other	19,756	24,052
Support services:		
Pupil	465,939	434,165
Instructional staff	694,012	559,571
Board of education	14,142	17,069
Administration	1,070,929	975,011
Fiscal	406,794	434,416
Business	-	1,642
Operations and maintenance	926,359	908,971
Pupil transportation	574,216	559,965
Central	221,605	146,714
Food service operations	461,891	445,225
Extracurricular activities	486,178	537,004
Facilities acquisition and construction	24,316,224	3,751,057
Debt service:		
Principal retirement	425,000	190,000
Interest and fiscal charges	988,462	991,712
Total cash disbursements	<u>37,535,653</u>	<u>16,368,204</u>
Change in net cash position	(20,909,056)	5,918,053
Net cash position at beginning of year	<u>38,754,018</u>	<u>32,835,965</u>
Net cash position at end of year	<u>\$ 17,844,962</u>	<u>\$ 38,754,018</u>

Governmental Activities

Net cash position of the District's governmental activities decreased \$20,909,056. Total governmental cash disbursements of \$37,535,653 were offset by program cash receipts of \$2,505,620 and general cash receipts of \$14,120,977. Program cash receipts supported 6.68% of the total governmental disbursements in fiscal year 2017, compared to 14.11% in the previous year. The primary factor for the decrease was due to an increase in total government disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and unrestricted grants and entitlements. These sources represent 78.01% of total governmental cash receipts. The increase in income taxes is mostly due to a full year of collection on the income tax levy enacted previous year.

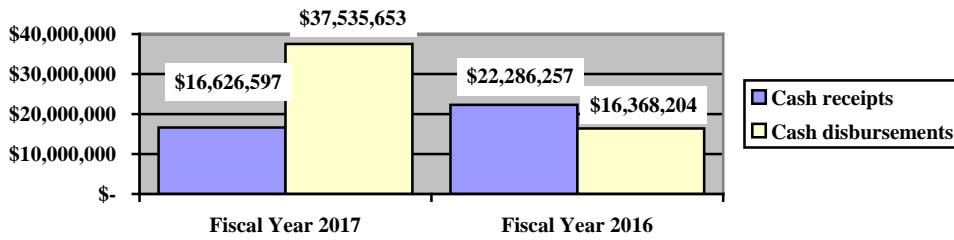
**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The largest cash disbursement of the District is for facilities acquisition and construction. Facilities acquisition and construction disbursements totaled \$24,316,224 or 64.78% of total governmental disbursements for fiscal year 2017. The increase in disbursements is due the increase in facilities acquisition and construction disbursements for the school facilities improvement project.

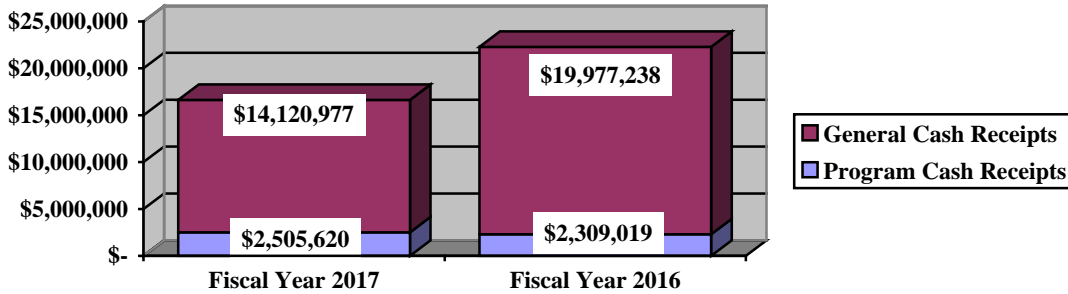
The graph below presents the District's cash receipts and cash disbursements for fiscal years 2017 and 2016.

Governmental Activities - Cash Receipts and Cash Disbursements



The graph below presents the District's governmental activities cash receipts for the fiscal years 2017 and 2016.

Governmental Activities - General and Program Cash Receipts



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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Program cash disbursements				
Instruction:				
Regular	\$ 4,814,749	\$ 3,588,268	\$ 4,822,580	\$ 3,659,747
Special	1,536,379	892,564	1,445,638	982,230
Vocational	113,018	109,502	123,412	114,973
Other	19,756	19,756	24,052	24,052
Support services:				
Pupil	465,939	426,310	434,165	394,102
Instructional staff	694,012	689,826	559,571	554,177
Board of education	14,142	14,142	17,069	17,069
Administration	1,070,929	1,069,691	975,011	973,765
Fiscal	406,794	406,794	434,416	434,416
Business	-	-	1,642	1,642
Operations and maintenance	926,359	926,359	908,971	908,971
Pupil transportation	574,216	558,006	559,965	547,445
Central	221,605	221,605	146,714	144,314
Food service operations	461,891	28,800	445,225	30,835
Other non-instructional services:				
Extracurricular activities	486,178	348,724	537,004	338,678
Facilities acquisition and construction	24,316,224	24,316,224	3,751,057	3,751,057
Debt service:				
Principal retirement	425,000	425,000	190,000	190,000
Interest and fiscal charges	<u>988,462</u>	<u>988,462</u>	<u>991,712</u>	<u>991,712</u>
Total cash disbursements	<u><u>\$ 37,535,653</u></u>	<u><u>\$ 35,030,033</u></u>	<u><u>\$ 16,368,204</u></u>	<u><u>\$ 14,059,185</u></u>

The dependence upon general cash receipts for governmental activities is apparent; with 93.32% and 85.89% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2017 and 2016, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund cash balance of \$17,844,962, which is \$20,909,056 lower than last year's total of \$38,754,018. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2017</u>	Fund Cash Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
General	\$ 4,481,858	\$ 4,482,413	\$ (555)
Permanent Improvement	2,203,705	1,616,200	587,505
Building	4,421,978	5,200,677	(778,699)
Classroom facilities	6,697,482	27,160,390	(20,462,908)
Nonmajor governmental	<u>39,939</u>	<u>294,338</u>	<u>(254,399)</u>
Total	<u>\$ 17,844,962</u>	<u>\$ 38,754,018</u>	<u>\$ (20,909,056)</u>

General Fund

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

	2017 <u>Amount</u>	2016 <u>Amount</u>	Increase <u>(Decrease)</u>
<u>Cash receipts</u>			
Taxes	\$ 5,584,209	\$ 5,393,328	\$ 190,881
Tuition	1,128,715	1,080,200	48,515
Intergovernmental	4,408,098	4,102,132	305,966
Other revenues	<u>283,668</u>	<u>312,486</u>	<u>(28,818)</u>
Total	<u>\$ 11,404,690</u>	<u>\$ 10,888,146</u>	<u>\$ 516,544</u>
<u>Cash disbursements</u>			
Instruction	\$ 6,147,878	\$ 6,140,982	\$ 6,896
Support services	4,305,277	3,953,875	351,402
Extracurricular activities	337,940	348,167	(10,227)
Facilities acquisition and construction	3,719	33,503	(29,784)
Debt service	<u>610,431</u>	<u>505,831</u>	<u>104,600</u>
Total	<u>\$ 11,405,245</u>	<u>\$ 10,982,358</u>	<u>\$ 422,887</u>

The increased in taxes were primarily due to an increase in income tax receipts that resulted from a full year of collection of the income tax levy. Intergovernmental revenue increased due to an increase in the amount of state foundation received during the fiscal year.

The increase in support services disbursements was due to an increase in instructional staff and administration disbursements during the fiscal year. The increased debt service disbursements came from principal payments on debt that was issued in the previous fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 the permanent improvement of school facilities. The permanent improvement fund had \$781,242 in cash receipts and \$193,737 in cash disbursements and other financing uses. During fiscal year 2017, the permanent improvement fund cash balance increased from \$1,616,200 to \$2,203,705.

Building Fund

The District's building 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 building fund had \$29,555 in cash receipts and \$808,254 in cash disbursements. During fiscal year 2017, the building fund cash balance decreased from \$5,200,677 to \$4,421,978.

Classroom Facilities Fund

The District's classroom facilities 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 classroom facilities fund had \$2,927,244 in cash receipts and \$23,390,152 in cash disbursements. During fiscal year 2017, the classroom facilities fund cash balance decreased from \$27,160,390 to \$6,697,482.

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 \$80,034 below original budget estimates of \$11,298,128. The actual budgetary basis receipts and other financing sources of \$11,308,936 were exceeded by the final budget estimate of \$11,378,162. The original budgetary basis disbursements and other financing uses of \$13,630,581 were increased to \$13,653,767 in the final budget. The actual budgetary basis disbursements were \$11,538,179, or \$2,115,588 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 \$24,316,224 during fiscal year 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Debt Administration

The following table summarizes the debt obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 14,138,659	\$ 14,386,041
Certification of participation	<u>11,995,000</u>	<u>12,140,000</u>
Total	<u>\$ 26,133,659</u>	<u>\$ 26,526,041</u>

Refer to Note 8 to the basic financial statements for detail on the District's long-term debt.

Current Issues

Fiscal year 2017 had income tax collections on target from the original projections. The District is once again showing positive cash balances at the end of each fiscal year for the life of the forecast. However, deficit spending appears to grow each year.

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, 2017

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents, and investments.	\$ 17,844,962
 Total assets.	 \$ 17,844,962
 Net cash position:	
Restricted for:	
Capital projects	\$ 13,323,165
Classroom facilities maintenance	175,254
Locally funded programs	11,652
State funded programs.	14,400
Student activities	33,477
Other purposes	11,333
Unrestricted	4,275,681
 Total net cash position.	 \$ 17,844,962

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,814,749	\$ 1,199,347	\$ 27,134	\$ (3,588,268)
Special	1,536,379	11,218	632,597	(892,564)
Vocational	113,018	-	3,516	(109,502)
Other	19,756	-	-	(19,756)
Support services:				
Pupil	465,939	-	39,629	(426,310)
Instructional staff	694,012	-	4,186	(689,826)
Board of education	14,142	-	-	(14,142)
Administration	1,070,929	-	1,238	(1,069,691)
Fiscal	406,794	-	-	(406,794)
Operations and maintenance	926,359	-	-	(926,359)
Pupil transportation	574,216	-	16,210	(558,006)
Central	221,605	-	-	(221,605)
Operation of non-instructional services:				
Food service operations	461,891	137,280	295,811	(28,800)
Extracurricular activities	486,178	107,911	29,543	(348,724)
Facilities acquisition and construction	24,316,224	-	-	(24,316,224)
Debt service:				
Principal retirement	425,000	-	-	(425,000)
Interest and fiscal charges	988,462	-	-	(988,462)
Total governmental activities	\$ 37,535,653	\$ 1,455,756	\$ 1,049,864	(35,030,033)
General cash receipts:				
Property taxes levied for:				
General purposes				5,343,336
Debt service				519,679
Permanent improvements				180,675
Payment in lieu of taxes				486,476
Income taxes levied for:				
General purposes				240,873
Grants and entitlements not restricted				
to specific programs				4,091,829
Ohio Schools Facilities Commission Grant				2,834,873
Investment earnings				186,212
Miscellaneous				237,024
Total general cash receipts				14,120,977
Change in net cash position				(20,909,056)
Net cash position at beginning of year				38,754,018
Net cash position at end of year				\$ 17,844,962

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, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Classroom Facilities</u>
Assets:				
Equity in pooled cash, cash equivalents, and investments.	\$ 4,481,858	\$ 2,203,705	\$ 4,421,978	\$ 6,697,482
Total assets	<u>\$ 4,481,858</u>	<u>\$ 2,203,705</u>	<u>\$ 4,421,978</u>	<u>\$ 6,697,482</u>
Fund cash balances:				
Restricted:				
Capital improvements	-	2,203,705	4,421,978	6,697,482
Classroom facilities maintenance	-	-	-	-
Food service operations	-	-	-	-
Other purposes.	-	-	-	-
Extracurricular activities.	-	-	-	-
Committed:				
Future severance payments.	103,085	-	-	-
Assigned:				
Student instruction	14,230	-	-	-
Student and staff support.	258,759	-	-	-
Extracurricular activities	4,558	-	-	-
Facilities acquisition and construction	7,392	-	-	-
School supplies	1,862,363	-	-	-
Educational activities.	45	-	-	-
Unassigned (deficit)	2,231,426	-	-	-
Total fund cash balances	<u>\$ 4,481,858</u>	<u>\$ 2,203,705</u>	<u>\$ 4,421,978</u>	<u>\$ 6,697,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 39,939</u>	<u>\$ 17,844,962</u>
<u>\$ 39,939</u>	<u>\$ 17,844,962</u>
-	13,323,165
175,254	175,254
11,333	11,333
26,052	26,052
33,477	33,477
-	103,085
-	14,230
-	258,759
-	4,558
-	7,392
-	1,862,363
-	45
<u>(206,177)</u>	<u>2,025,249</u>
<u>\$ 39,939</u>	<u>\$ 17,844,962</u>

**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, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Classroom Facilities</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 5,343,336	\$ 180,675	\$ -	\$ -
Income taxes	240,873	-	-	-
Payment in lieu of taxes	54,565	431,911	-	-
Tuition	1,128,715	-	-	-
Earnings on investments	63,841	-	29,555	92,371
Charges for services	-	-	-	-
Extracurricular	54,573	-	-	-
Classroom materials and fees	25,677	-	-	-
Contributions and donations	1,600	-	-	-
Other local revenues	83,412	147,911	-	-
Intergovernmental - state	4,405,369	20,745	-	2,834,873
Intergovernmental - federal	2,729	-	-	-
Total revenues	<u>11,404,690</u>	<u>781,242</u>	<u>29,555</u>	<u>2,927,244</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	4,778,276	-	-	-
Special	1,236,828	-	-	-
Vocational	113,018	-	-	-
Other	19,756	-	-	-
Support services:				
Pupil	425,939	-	-	-
Instructional staff	693,421	-	-	-
Board of education	14,142	-	-	-
Administration	1,069,679	-	-	-
Fiscal	379,916	1,987	3,981	15,252
Operations and maintenance	926,359	-	-	-
Pupil transportation	574,216	-	-	-
Central	221,605	-	-	-
Operation of non-instructional services:				
Food service operations	-	-	-	-
Extracurricular activities	337,940	-	-	-
Facilities acquisition and construction	3,719	133,332	804,273	23,374,900
Debt service:				
Principal retirement	145,000	-	-	-
Interest and fiscal charges	465,431	-	-	-
Total cash disbursements	<u>11,405,245</u>	<u>135,319</u>	<u>808,254</u>	<u>23,390,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(555)</u>	<u>645,923</u>	<u>(778,699)</u>	<u>(20,462,908)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	(58,418)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(58,418)</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	(555)	587,505	(778,699)	(20,462,908)
Fund cash balances at beginning of year . .	<u>4,482,413</u>	<u>1,616,200</u>	<u>5,200,677</u>	<u>27,160,390</u>
Fund cash balances at end of year	<u>\$ 4,481,858</u>	<u>\$ 2,203,705</u>	<u>\$ 4,421,978</u>	<u>\$ 6,697,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 519,679	\$ 6,043,690
-	240,873
-	486,476
-	1,128,715
445	186,212
137,280	137,280
107,911	162,484
-	25,677
16,328	17,928
18,916	250,239
31,604	7,292,591
651,703	654,432
<u>1,483,866</u>	<u>16,626,597</u>
36,473	4,814,749
299,551	1,536,379
-	113,018
-	19,756
40,000	465,939
591	694,012
-	14,142
1,250	1,070,929
5,658	406,794
-	926,359
-	574,216
-	221,605
461,891	461,891
148,238	486,178
-	24,316,224
280,000	425,000
523,031	988,462
<u>1,796,683</u>	<u>37,535,653</u>
<u>(312,817)</u>	<u>(20,909,056)</u>
58,418	58,418
-	(58,418)
<u>58,418</u>	<u>-</u>
(254,399)	(20,909,056)
294,338	38,754,018
<u>\$ 39,939</u>	<u>\$ 17,844,962</u>

**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, 2017

	<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	\$ 5,501,851	\$ 5,382,600	\$ 5,343,336	\$ (39,264)
Income taxes	259,337	242,643	240,873	(1,770)
Payment in lieu of taxes	54,565	54,565	54,565	-
Tuition	1,132,495	1,137,009	1,128,714	(8,295)
Earnings on investments	48,535	64,620	63,841	(779)
Classroom materials and fees	18,067	15,797	15,659	(138)
Other local revenues	77,210	76,188	40,699	(35,489)
Intergovernmental - state	4,135,918	4,378,595	4,405,369	26,774
Intergovernmental - federal	40,151	2,711	2,729	18
Total budgetary basis receipts	<u>11,268,128</u>	<u>11,354,728</u>	<u>11,295,785</u>	<u>(58,943)</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,414,784	5,008,919	4,708,843	300,076
Special	1,232,578	1,419,612	1,239,561	180,051
Vocational	127,311	120,840	113,723	7,117
Other	27,879	23,990	19,756	4,234
Support services:				
Pupil	619,734	546,007	427,237	118,770
Instructional staff	905,674	885,988	702,229	183,759
Board of education	17,321	20,603	14,187	6,416
Administration	1,256,894	1,130,784	1,079,299	51,485
Fiscal	1,035,662	721,607	386,634	334,973
Business	48	10,048	-	10,048
Operations and maintenance	1,153,310	1,354,485	1,003,385	351,100
Pupil transportation	880,704	746,698	655,973	90,725
Central	274,427	255,034	223,511	31,523
Extracurricular activities	452,103	412,756	342,299	70,457
Facilities acquisition and construction	4,150	50,107	11,111	38,996
Debt service:				
Principal	54,159	146,392	145,000	1,392
Interest and fiscal charges	173,842	469,899	465,431	4,468
Total budgetary basis disbursements	<u>13,630,581</u>	<u>13,323,767</u>	<u>11,538,179</u>	<u>1,785,588</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(2,362,453)</u>	<u>(1,969,039)</u>	<u>(242,394)</u>	<u>1,726,645</u>
Other financing sources (uses):				
Refund of prior year's expenditures	30,000	8,434	8,434	-
Transfers (out)	-	(330,000)	-	330,000
Sale of capital assets	-	15,000	4,717	(10,283)
Total other financing sources (uses)	<u>30,000</u>	<u>(306,566)</u>	<u>13,151</u>	<u>319,717</u>
Net change in fund cash balance	(2,332,453)	(2,275,605)	(229,243)	2,046,362
Fund cash balance at beginning of year	4,048,080	4,048,080	4,048,080	-
Prior year encumbrances appropriated	367,969	367,969	367,969	-
Fund cash balance at end of year	\$ 2,083,596	\$ 2,140,444	\$ 4,186,806	\$ 2,046,362

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, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 93,717	\$ 36,283
Total assets.	\$ 93,717	\$ 36,283
Net cash position:		
Held in trust for scholarships	\$ 93,717	\$ -
Held for students.	-	36,283
Total net cash position	\$ 93,717	\$ 36,283

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 4,028
Gifts and contributions	10,215
Total additions	14,243
 Deductions:	
Scholarships awarded	8,150
Change in net cash position	6,093
Net cash position at beginning of year . . .	87,624
Net cash position at end of year	\$ 93,717

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 43 classified employees, 62 certified teaching personnel and 10 administrative employees who provide services to 1,019 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, 2017

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 \$26,418 to NOECA in fiscal year 2017 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, 2017

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, 2017

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 resources that are restricted for the acquisition, construction or improvement of permanent assets. The fund balance of this fund is restricted for capital improvements.

Building fund - The building fund is used to account for resources that are restricted for the acquisition, construction or improvement of capital facilities and for acquisition of capital assets. The fund balance of this fund is restricted for capital improvements.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission (OFCC) for the building and equipping of classroom facilities.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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.

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 type.

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 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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.

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 2017.

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, 2017**

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 2017, investments consisted of federal agency securities, U.S. government money market mutual funds, negotiable certificates of deposit, commercial paper and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the cash basis of accounting, all District investments are reported at cost.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$63,841 which includes \$20,734 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

J. 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. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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.

K. 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, 2017.

L. 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, 2017.

M. 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. Interfund advances and transfers are eliminated in the statement of activities - cash basis.

N. 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 2017

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Cash Balances

The District had the following deficit cash balances at June 30, 2017:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
IDEA, Part B	\$ 1,120
Title I, Disadvantaged Children	966
Improving Teacher Quality	14,336
Bond Retirement	189,755

This deficit cash balances in IDEA, Part B, Title I, Disadvantaged Children, and Improving Teacher Quality funds resulted from a lag between disbursements made by the District and reimbursements from grantors and are allowable under Ohio Revised Code §3315.20.

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;
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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
9. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

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 \$2,415 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, 2017, the carrying amount of all District deposits was \$1,938,708 As of June 30, 2017, of the District's bank balance of \$2,013,822, \$1,903,675 was covered by FDIC and \$110,147 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, 2017

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2017, 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	
Net Asset Value Per Share								
STAR Ohio	\$ 3,028,803	\$ 3,028,803	\$ 3,028,803	\$ -	\$ -	\$ -	\$ -	\$ -
Fair Value								
FFCB	723,447	723,814	-	723,814	-	-	-	-
FHLB	982,713	983,921	478,091	505,830	-	-	-	-
FHLMC	1,343,650	1,348,212	599,952	748,260	-	-	-	-
FNMA	1,279,103	1,249,555	1,249,555	-	-	-	-	-
Commercial Papers	3,788,247	3,794,521	3,794,521	-	-	-	-	-
Negotiable CDs	4,669,355	4,655,404	320,175	500,502	716,210	755,053	2,363,464	-
U.S. Gov't Money Market	218,521	218,521	218,521	-	-	-	-	-
Total	<u>\$ 16,033,839</u>	<u>\$ 16,002,751</u>	<u>\$ 9,689,618</u>	<u>\$ 2,478,406</u>	<u>\$ 716,210</u>	<u>\$ 755,053</u>	<u>\$ 2,363,464</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. The investments in commercial paper were rated A1 by Standard & Poor's. The negotiable CDs are fully covered by FDIC. The U.S. Government money markets are not rated.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2017:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% to Total</u>
FFCB	\$ 723,447	4.51
FHLB	982,713	6.13
FHLMC	1,343,650	8.38
FNMA	1,279,103	7.98
Commercial Papers	3,788,247	23.63
Negotiable CDs	4,669,355	29.12
STAR Ohio	3,028,803	18.89
U.S. Gov't Money Market	<u>218,521</u>	<u>1.36</u>
Total	<u>\$ 16,033,839</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, 2017:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 1,938,708
Investments	16,033,839
Cash on hand	<u>2,415</u>
Total	<u>\$ 17,974,962</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 17,844,962
Private purpose trust funds	93,717
Agency fund	<u>36,283</u>
Total	<u>\$ 17,974,962</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes.

Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 112,754,030	97.58	\$ 112,002,890	97.39
Public utility personal	<u>2,796,110</u>	<u>2.42</u>	<u>2,998,440</u>	<u>2.61</u>
Total	<u>\$ 115,550,140</u>	<u>100.00</u>	<u>\$ 115,001,330</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$81.25		\$82.65	

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - INCOME TAXES

The District levies a voted income tax of 0.25% on the income of residents for general operations of the District and to offset a portion of the K-12 facilities construction project. The income tax became effective on January 1, 2015 and is in effect for a continual period of time. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$240,873 for fiscal year 2017.

NOTE 8 - LONG-TERM OBLIGATIONS

During fiscal year 2017, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2016	Additions	Reductions	Balance Outstanding June 30, 2017	Amounts Due in One Year
Governmental activities:					
<u>General obligation bonds</u>					
Series 2014A					
Current interest and term bonds	\$ 10,635,000	\$ -	\$ (135,000)	\$ 10,500,000	\$ 150,000
Capital appreciation bonds	90,000	-	-	90,000	-
Accreted interest	57,121	21,958	-	79,079	-
Series 2014B					
Current interest and term bonds	3,520,000	-	(145,000)	3,375,000	150,000
Capital appreciation bonds	55,000	-	-	55,000	-
Accreted interest	28,920	10,660	-	39,580	-
Total general obligation bonds	<u>14,386,041</u>	<u>32,618</u>	<u>(280,000)</u>	<u>14,138,659</u>	<u>300,000</u>
Certificates of participation	<u>12,140,000</u>	<u>-</u>	<u>(145,000)</u>	<u>11,995,000</u>	<u>215,000</u>
Total governmental activities	<u>\$ 26,526,041</u>	<u>\$ 32,618</u>	<u>\$ (425,000)</u>	<u>\$ 26,133,659</u>	<u>\$ 515,000</u>

Construction bonds, series 2014A: On October 9, 2014, the District issued general obligation bonds in order to fund the local share and required locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio Facilities Construction Commission (OFCC). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The bonds are paid from the bond retirement fund, a nonmajor governmental fund.

The issue is comprised of both current interest and term bonds, par value \$10,780,000, and capital appreciation bonds, par value \$90,000. The interest rates on the current interest bonds range from 1.00% to 5.00%. The capital appreciation bonds mature on July 15, of 2020, 2021, 2022, 2025 and 2026 (stated interest rate of 30.61%, 29.93%, 29.10%, 29.30%, 28.92%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$795,000. A total of \$79,079 in interest has been accreted on the capital appreciation bonds as of June 30, 2017.

Interest payments on the current interest and term bonds are due on January 15 and July 15 of each year. The final stated maturity is July 15, 2051.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Future debt service payments are as follows:

Fiscal Year	Current Interest Bonds, Series 2014A			Capital Appreciation Bonds, Series 2014A		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 150,000	\$ 411,756	\$ 561,756	\$ -	\$ -	\$ -
2019	155,000	409,506	564,506	-	-	-
2020	-	406,794	406,794	30,000	125,000	155,000
2021	-	406,794	406,794	25,000	140,000	165,000
2022	-	406,794	406,794	20,000	145,000	165,000
2023 - 2027	615,000	1,995,870	2,610,870	15,000	295,000	310,000
2028 - 2032	1,140,000	1,874,213	3,014,213	-	-	-
2033 - 2037	1,470,000	1,647,024	3,117,024	-	-	-
2038 - 2042	1,965,000	1,256,400	3,221,400	-	-	-
2043 - 2047	2,510,000	809,800	3,319,800	-	-	-
2048 - 2051	2,495,000	254,800	2,749,800	-	-	-
Total	<u>\$ 10,500,000</u>	<u>\$ 9,879,751</u>	<u>\$ 20,379,751</u>	<u>\$ 90,000</u>	<u>\$ 705,000</u>	<u>\$ 795,000</u>

Construction bonds, series 2014B: On October 9, 2014, the District issued general obligation bonds in order to fund the local share and required locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio Facilities Construction Commission (OFCC). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The bonds are paid from the bond retirement fund, a nonmajor governmental fund.

The issue is comprised of both current interest bonds, par value \$3,545,000, and capital appreciation bonds, par value \$55,000. The interest rates on the current interest bonds range from 1.00% to 3.75%. The capital appreciation bonds mature on July 15, of 2021 and 2022 (stated interest rate of 25.80% and 24.93%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$310,000. A total of \$39,580 in interest has been accreted on the capital appreciation bonds as of June 30, 2017.

Interest payments on the current interest and term bonds are due on January 15 and July 15 of each year. The final stated maturity is July 15, 2037.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Future debt service payments are as follows:

Fiscal Year	Current Interest Bonds, Series 2014B			Capital Appreciation Bonds, Series 2014B		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 150,000	\$ 107,075	\$ 257,075	\$ -	\$ -	\$ -
2019	150,000	104,825	254,825	-	-	-
2020	150,000	102,200	252,200	-	-	-
2021	-	99,200	99,200	30,000	125,000	155,000
2022	-	99,200	99,200	25,000	130,000	155,000
2023 - 2027	825,000	448,000	1,273,000	-	-	-
2028 - 2032	960,000	311,887	1,271,887	-	-	-
2033 - 2037	1,140,000	130,913	1,270,913	-	-	-
Total	<u>\$ 3,375,000</u>	<u>\$ 1,403,300</u>	<u>\$ 4,778,300</u>	<u>\$ 55,000</u>	<u>\$ 255,000</u>	<u>\$ 310,000</u>

On August 21, 2008, the District issued \$12,195,000 in certificates of participation (“COPs”) to finance the acquisition, construction, installation and improvement of District facilities. The COPs bear interest rates ranging from 1.00% to 5.00%. Interest payments on the COPs are due on January 15 and July 15 of each year. The final maturity stated in the issue is December 1, 2042. Principal and interest payments will be made from the general fund.

Principal and interest requirements to retire the COPs at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal on COPs	Interest on COPs	Total
2018	\$ 215,000	\$ 462,531	\$ 677,531
2019	290,000	458,231	748,231
2020	295,000	452,431	747,431
2021	305,000	443,581	748,581
2022	315,000	431,381	746,381
2023 - 2027	1,740,000	1,967,468	3,707,468
2028 - 2032	2,000,000	1,658,052	3,658,052
2033 - 2037	2,450,000	1,208,650	3,658,650
2038 - 2042	3,005,000	646,200	3,651,200
2043 - 2044	1,380,000	83,400	1,463,400
Total	<u>\$ 11,995,000</u>	<u>\$ 7,811,925</u>	<u>\$ 19,806,925</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

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 use 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 Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" district by the State Superintendent.

NOTE 9 - 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.

During fiscal year 2017, 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 10 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - PENSION PLANS - (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$200,097 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$653,016 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportion of the net pension liability prior measurement date	0.04509870%	0.03751902%	
Proportion of the net pension liability current measurement date	<u>0.04810850%</u>	<u>0.04108572%</u>	
Change in proportionate share	<u>0.00300980%</u>	<u>0.00356670%</u>	
Proportionate share of the net pension liability	\$ 3,521,098	\$ 13,752,629	\$ 17,273,727

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**NORTHWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 4,661,715	\$ 3,521,098	\$ 2,566,355

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 18,276,126	\$ 13,752,629	\$ 9,936,792

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$24,456, \$23,755, and \$30,679, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 12 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - OTHER EMPLOYEE BENEFITS (Continued)

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 at no cost to the employee.

NOTE 13- INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund statements:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental	Permanent improvement	<u>\$ 58,418</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 14 - 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, 2017, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - 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, 2016	\$ -
Current year set-aside requirement	166,477
Current year offsets	<u>(180,675)</u>
Total	<u>\$ (14,198)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 16 - 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).

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	\$ (229,243)
Funds budgeted elsewhere	(509)
Adjustment for encumbrances	<u>229,197</u>
Cash basis	<u>\$ (555)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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 17 - 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	\$ 233,006
Permanent improvement	9,415
Building	4,401,488
Classroom facilities	5,601,207
Nonmajor governmental	<u>20,790</u>
Total	<u>\$ 10,265,906</u>

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwood Local School District, Wood County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2017, wherein we noted the District uses a special purpose framework other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Northwood Local School District

Wood County

Independent Auditor's Report on Internal Control Over
Financial Report and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Page 2

Compliance and Other Matters

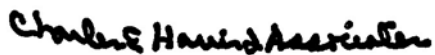
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such 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 as item 2017-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

December 27, 2017

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

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

FINDING NUMBER 2017-001: Noncompliance

Ohio Rev. Code Section 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 Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity in accordance with generally accepted accounting principles for fiscal year ending June 30, 2017. The accompanying financial statements and notes omit assets, deferred outflows, liabilities, deferred inflows, fund equities, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate financial statements are available to the District's community.

Official's Response: See Corrective Action Plan

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	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.	Not Corrected	Reissued as finding 2017-001. Cost vs Benefit Decision by Treasurer and Board of Education

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	As one of the many cost cutting items identified, 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.	N/A	Angel Adamski, Treasurer

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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
MARCH 8, 2018**