

Certified Public Accountants · Strategic Business Advisors



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NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

NORTHWOOD BOARD OF EDUCATION
June 30, 1999

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**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

600 Lemoyne Road
Northwood, Ohio 43619

**ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999**

TITLE Name	Term of Office or Contract Period		Surety Amount	Period
BOARD OF EDUCATION				
President Randy Kozina	1/1/96 - 12/31/1999	(A)	\$20,000	1/1/97 - 1/1/2000
Vice President Mel Smith	1/1/98 - 12/31/2001			
Members:				
Dennis Bohland	1/1/98 - 12/31/2001			
Tim Reardon	1/1/96 - 12/31/1999			
Virgil Bryan	1/1/98 - 12/31/2001			
LEGAL COUNSEL				
Wood County Prosecuting Attorney: Alan Mayberry One Courthouse Square Bowling Green, Ohio 43402				
TREASURER				
Ruth Destatte	1/1/99 to Organizational Meeting 2003	(B)	\$20,000	1/1/99 to Organizational Meeting 2003
SUPERINTENDENT				
Ronald W. Matter	1/1/99 - 7/31/2001	(A)	\$20,000	1/1/99 - 1/1/2000

(A) The Ohio Casualty Insurance Company
(B) Nationwide Mutual Insurance Company

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

INDEX OF FUNDS AND ACCOUNT GROUPS

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund
Budget Reserve Fund
General Fund - School Bus Purchase

Special Revenue Fund Type:

Public School Support Fund
District Managed Student Activity Fund
Teacher Development Fund
Early Childhood Education Fund
Data Communications for School Building Fund
School Net Professional Development Fund
Educational Management Information Systems Fund
Textbook and Instructional Materials Fund
Title 1 - Education Consolidation and Improvement Act Fund
Title VI - Education Consolidation and Improvement Act Fund
Telecommunications - E-Rate Fund
Miscellaneous State Grant Fund
Miscellaneous Federal Grant Funds
Other Grant

Debt Service Fund Type:

Bond Retirement Fund

Capital Projects Fund Type:

Building Fund
SchoolNet Fund

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund
Uniform School Supply Fund
Special Enterprises Fund

FIDUCIARY FUND TYPE:

Trust and Agency Fund Types:

Expendable Trust Fund:

Special Trust Funds

Nonexpendable Trust Fund:

High School Student Council Scholarship Fund

Agency Fund:

Student Managed Activity Funds

ACCOUNT GROUPS

General Fixed Asset Account Group

General Long-Term Obligations Account Group



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Northwood Local School District, Wood County, prepared by Weber O'Brien LTD, for the audit period July 1, 1998 through June 30, 1999. 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.



JIM PETRO
Auditor of State

March 6, 2000



weber · obrien Ltd.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Northwood Local School District ("District"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwood Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2000 on our consideration of the Northwood Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The information on page 45 regarding the Year 2000 Issue is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Weber · O'Brien, LTD.

January 18, 2000

Northwood Local Schools - Wood County
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 1999

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 169,714	\$ 83,854	\$ 118,605	\$ 355
Receivables:				
Taxes	3,742,903		198,754	
Accounts	3,024			
Intergovernmental	342,208		20,074	
Materials and Supplies Inventory	29,977			
Restricted Assets:				
Cash and Cash Equivalents	36,690			
Fixed Assets:				
Fixed Assets				
Fixed Assets, Net of Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$ 4,324,516	\$ 83,854	\$ 337,433	\$ 355

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

Proprietary Fund Types	Fiduciary Types	Account Groups		Totals (Memorandum Only)
		General Fixed Asset Account Group (GFAAG)	General Long-Term Debt Account Group (GLTDAG)	
Enterprise	Trust and Agency			
\$ 15,518	\$ 41,996			\$ 430,042
				3,941,657
10,085				13,109
				362,282
3,470				33,447
				36,690
		\$ 8,100,596		8,100,596
48,273				48,273
			\$ 138,679	138,679
			2,890,302	2,890,302
<u>\$ 77,346</u>	<u>\$ 41,996</u>	<u>\$ 8,100,596</u>	<u>\$ 3,028,981</u>	<u>\$ 15,995,077</u>

Northwood Local Schools - Wood County
 Combined Balance Sheet
 All fund Types and Account Groups, Continued
 As of June 30, 1999

	<u>Governmental</u> <u>Fund Types</u>			
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>
Liabilities, Equity And Other Credits:				
Liabilities:				
Accounts Payable	\$ 39,111	\$ 1,591		
Accrued Wages and Benefits	753,977	10,604		
Compensated Absences Payable				
Pension Benefit Obligation Payable				
Deferred Revenue	3,742,903		\$ 198,754	
Due to Students				
Notes Payable				
Capital Leases Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>4,535,991</u>	<u>12,195</u>	<u>198,754</u>	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	11,562	6,754		
Reserved for Inventory	29,977			
Reserved for Contributions				
Reserved for Budget Stabilization	36,690			
Unreserved:				
Unreserved, Undesignated	(289,704)	64,905	138,679	\$ 355
Total Fund Equity and Other Credits	<u>(211,475)</u>	<u>71,659</u>	<u>138,679</u>	<u>355</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 4,324,516</u>	<u>\$ 83,854</u>	<u>\$ 337,433</u>	<u>\$ 355</u>

"SEE INDEPENDENT AUDITORS' REPORT"

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Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Asset Account Group (GFAAG)	General Long-Term Debt Account Group (GLTDAG)	
Enterprise	Trust and Agency			
\$ 16,509	\$ 83			\$ 57,294
8,833				773,414
3,420			\$ 645,986	649,406
			80,613	80,613
2,720				3,944,377
	7,613			7,613
			23,882	23,882
			2,278,500	2,278,500
<u>31,482</u>	<u>7,696</u>		<u>3,028,981</u>	<u>7,815,099</u>
		\$ 8,100,596		8,100,596
103,884				103,884
(58,020)				(58,020)
	5,711			24,027
				29,977
	17,838			17,838
				36,690
	10,751			(75,014)
<u>45,864</u>	<u>34,300</u>	<u>8,100,596</u>		<u>8,179,978</u>
<u>\$ 77,346</u>	<u>\$ 41,996</u>	<u>\$ 8,100,596</u>	<u>\$ 3,028,981</u>	<u>\$ 15,995,077</u>

Northwood Local School District - Wood County
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	FUND TYPES Expendable Trust	
Revenues:						
Intergovernmental	\$ 2,766,045	\$ 102,432	\$ 31,938	\$ -	\$ -	\$ 2,900,415
Interest	54,365	10	69	14	70	54,528
Tuition and Fees	8,433	5,294	-	-	-	13,727
Rent	10,114	-	-	-	-	10,114
Extracurricular Activities	-	111,692	-	-	-	111,692
Gifts and Donations	54,505	2,650	-	-	6,479	63,634
Property & Other Local Taxes	3,839,439	-	203,791	-	-	4,043,230
Miscellaneous	145,248	11,612	-	-	-	156,860
Total Revenues	6,878,149	233,690	235,798	14	6,549	7,354,200
Expenditures:						
Current:						
Instruction:						
Regular	3,414,240	60,398	-	30,484	-	3,505,122
Special	361,153	70,642	-	-	-	431,795
Vocational	29,960	-	-	-	-	29,960
Other	24,475	-	-	-	-	24,475
Support services:						
Pupils	332,663	240	-	-	-	332,903
Instructional Staff	396,290	11,868	-	-	-	408,158
Board of Education	20,050	-	-	-	-	20,050
Administration	700,116	2,022	-	-	-	702,138
Fiscal	231,263	240	1,829	-	-	233,332
Operation and Maintenance of Plant	664,752	-	-	-	-	664,752
Pupil Transportation	233,338	-	-	-	-	233,338
Central	-	2,800	-	-	-	2,800
Non-Instructional Services	505	-	-	-	1,500	2,005
Extracurricular activities	174,493	85,075	-	-	-	259,568
Capital Outlay	104,700	-	-	322	-	105,022
Debt Service						
Debt Service - Principal	608,849	-	135,500	-	-	744,349
Debt Service - Interest	25,547	-	135,090	-	-	160,637
Total Expenditures	7,322,394	233,285	272,419	30,806	1,500	7,600,404
Excess of Revenues Over (Under) Expenditures	(444,245)	405	(36,621)	(30,792)	5,049	(506,204)
Other Financing Sources (Uses)						
Operating Transfers In	-	-	54,938	-	-	54,938
Proceeds from Sale of Short-Term Notes	417,000	-	-	-	-	417,000
Proceeds from Sale of Fixed Assets	7,188	-	-	-	-	7,188
Refund of Prior Year Expenditures	2,358	5,753	-	-	-	8,111
Proceeds from Sale of Notes	150,000	-	-	-	-	150,000
Other Financing Sources	-	3,360	-	-	-	3,360
Operating Transfers Out	(74,740)	-	-	-	-	(74,740)
Refund of Prior Year Receipts	-	(863)	-	-	-	(863)
Total Other Financing Sources (Uses)	501,806	8,250	54,938	-	-	564,994
Total Rev and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	57,561	8,655	18,317	(30,792)	5,049	58,790
Fund Balance at Beginning of Year	(269,036)	63,004	120,382	31,147	1,655	(52,868)
Fund Balance at End of Year	\$ (211,475)	\$ 71,659	\$ 138,679	\$ 355	\$ 6,704	\$ 5,922

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

Northwood Local Schools - Wood County

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budget Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
Revenues						
Intergovernmental	\$ 2,507,826	\$ 2,569,832	\$ 62,006	\$ 102,432	\$ 102,432	
Interest	59,900	56,662	(3,238)	10	10	
Tuition and Fees	9,700	8,433	(1,267)	3,365	5,284	1,929
Rent	4,000	10,114	6,114			
Extracurricular Activities				85,810	111,692	15,782
Gifts and Donations	55,001	53,290	(1,711)	1,900	2,650	750
Property & Other Local Taxes	3,957,053	3,899,662	(57,391)			
Miscellaneous	162,273	160,873	(1,400)	20,300	11,737	(8,563)
Total Revenues	6,755,753	6,778,866	23,113	223,817	233,815	9,998
Expenditures:						
Current:						
Instruction:						
Regular	3,425,539	3,424,335	1,204	72,170	60,455	11,715
Special	361,561	360,769	812	81,368	70,866	10,402
Vocational	37,278	34,276	3,002	-	-	-
Other	24,482	24,474	8	-	-	-
Support services:						
Pupils	328,957	328,587	370	240	240	-
Instructional Staff	399,710	406,614	(6,904)	22,679	15,262	7,617
Board of Education	22,189	21,756	433	-	-	-
Administration	701,251	700,485	766	2,028	2,022	6
Fiscal	230,084	229,298	788	240	240	-
Operation and Maintenance of Plant	656,375	657,533	(1,158)	-	-	-
Pupil Transportation	231,662	229,056	2,606	-	-	-
Central	-	-	-	3,612	2,800	812
Non-Instructional Services	605	505	100	-	-	-
Extracurricular activities	166,358	166,100	258	104,175	88,776	15,399
Capital Outlay	104,700	104,700	-	-	-	-
Debt Service						
Debt Service - Principal	567,000	567,000	-	-	-	-
Debt Service - Interest	22,095	22,095	-	-	-	-
Total Expenditures	7,283,868	7,279,561	4,285	286,732	240,781	45,951
Excess of Revenues Over (Under) Expenditures	(528,113)	(500,715)	27,398	(62,815)	(6,966)	55,849
Other Financing Sources (Uses)						
Operating Transfers In						
Proceeds from Sale of Long-Term Notes	417,000	417,000	-	-	-	-
Proceeds from Sale of Fixed Assets	10,000	7,188	2,812	-	-	-
Refund of Prior Year Expenditures	18,360	2,663	(15,697)	6,212	6,212	-
Other Financing Sources				3,360	3,360	-
Operating Transfers Out	(74,740)	(74,740)	-	-	-	-
Refund of Prior Year Receipts						
Total Other Financing Sources (Uses)	370,620	352,117	(18,503)	8,709	8,709	-
Total Rev and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(157,493)	(148,598)	8,895	(54,106)	1,743	55,849
Fund Balances at Beginning of Year	278,298	278,298	-	70,088	70,088	-
Prior Year Encumbrances Appropriated	36,580	36,580	-	3,678	3,678	-
Fund Balance at end of Year	\$ 157,385	\$ 166,280	\$ 8,895	\$ 19,660	\$ 75,509	\$ 55,849

SEE INDEPENDENT AUDITORS' REPORT

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS*

Debt Service			Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Budget	Actual	Variance
\$ 28,200	\$ 21,648	\$ (6,554)	\$ 14	\$ 14		\$ 55	\$ 70	\$ 15	\$ 2,838,458	\$ 2,713,910	\$ 124,548
	69	69							59,979	58,825	(1,154)
									13,065	13,727	662
									4,000	10,114	6,114
									95,810	111,892	15,782
						4,094	8,479	2,385	80,985	62,419	(18,566)
203,334	207,496	4,161							4,160,387	4,107,157	(53,230)
									182,973	172,609	(10,364)
231,534	229,210	2,324	14	14		4,149	6,549	2,400	7,215,367	7,248,453	33,086
			30,838	30,484	354				3,528,547	3,515,274	(13,273)
									442,969	431,755	(11,214)
									37,278	34,278	(3,000)
									24,482	24,474	(8)
									329,187	328,827	(360)
									422,589	421,876	(713)
									22,189	21,758	(431)
									703,279	702,507	(772)
									234,324	231,385	(2,939)
4,000	1,829	2,171							658,375	657,533	(842)
									231,682	229,058	(2,624)
									3,812	2,800	(1,012)
						5,700	3,900	1,800	6,305	4,405	(1,900)
									272,533	256,876	(15,657)
			322	322					105,022	105,022	
									702,500	702,500	
135,900	135,900								157,186	157,186	
135,081	135,080	1									
274,591	272,419	2,172	31,160	30,808	354	5,700	3,900	1,800	7,862,049	7,327,487	(534,562)
(43,057)	(43,209)	(152)	(31,146)	(30,792)	354	(1,551)	2,849	4,200	(866,882)	579,034	(1,445,916)
54,938	54,938								54,938	54,938	
									417,000	417,000	
									10,000	7,188	(2,812)
									24,572	8,881	(15,691)
									3,360	3,360	
									(74,740)	(74,740)	
54,938	54,938								434,267	415,764	(18,503)
11,881	11,729	(152)	(31,146)	(30,792)	354	(1,551)	2,849	4,200	(232,415)	(183,270)	(49,145)
106,876	106,876		30,896	30,896		154	154		486,312	486,312	
			250	250		1,500	1,500		42,007	42,007	
\$ 118,757	\$ 118,805	\$ (48)	\$ 354	\$ 354		\$ 103	\$ 4,303	\$ 4,200	\$ 295,904	\$ 365,049	\$ 69,145

Northwood Local School District - Wood County
Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999

	<u>PROPRIETARY FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$ 169,190	\$ -	\$ 169,190
Interest	-	730	730
Other Revenues	16,748	-	16,748
Contributions and Donations	-	2,045	2,045
Total Operating Revenues	<u>185,938</u>	<u>2,775</u>	<u>188,713</u>
Operating Expenses:			
Salaries	57,721	-	57,721
Fringe Benefits	27,200	-	27,200
Purchased Services	25,000	-	25,000
Materials and Supplies	155,450	-	155,450
Depreciation	3,828	-	3,828
Other	444	6,450	6,894
Capital Outlay	2,009	-	2,009
Total Operating Expenses	<u>271,652</u>	<u>6,450</u>	<u>278,102</u>
Operating Income (Loss)	<u>(85,714)</u>	<u>(3,675)</u>	<u>(89,389)</u>
Non-Operating Revenues (Expenses)			
Federal Donated Commodities	16,513	-	16,513
Interest	124	-	124
Federal and State Subsidies	58,190	-	58,190
Other	2,133	-	2,133
Total Non-Operating Revenues (Expenses)	<u>76,960</u>	<u>-</u>	<u>76,960</u>
Income (Loss) Before Operating Transfers	<u>(8,754)</u>	<u>(3,675)</u>	<u>(12,429)</u>
Operating Transfers-In	19,802	-	19,802
Net Income (Loss)	11,048	(3,675)	7,373
Retained Earnings (Deficit) at Beginning of Year	<u>(69,068)</u>	<u>21,513</u>	<u>(47,555)</u>
Retained Earnings (Deficit) at End of Year	<u>(58,020)</u>	<u>17,838</u>	<u>(40,182)</u>
Contributed Capital at Beginning of Year	101,874	-	101,874
Capital Contributions During the Year	2,010	-	2,010
Contributed Capital at End of Year	<u>103,884</u>	<u>-</u>	<u>103,884</u>
Total Fund Equity at End of Year	<u>\$ 45,864</u>	<u>17,838</u>	<u>\$ 63,702</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

Northwood Local School District - Wood County
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999

	PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	Total
	Enterprise	Non-Expendable Trust	(Memorandum only)
Increase/(Decrease) in Cash & Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$ 169,195	\$ -	\$ 169,195
Cash Received from Tuition and Fees	16,529	-	16,529
Cash Received from Contributions & Donations	-	2,045	2,045
Other Cash Receipts	2,133	-	2,133
Cash Pmts. to Suppliers for Goods & Service	(124,260)	-	(124,260)
Cash Payments for Contract Services	(23,000)	-	(23,000)
Cash Payments for Employee Services	(103,739)	-	(103,739)
Cash Payments for Scholarships	-	(6,450)	(6,450)
Cash Payments for Employee Benefits	(30,582)	-	(30,582)
Other Cash Payments	(444)	-	(444)
Net Cash Provided by (Used for) Operating Activities	<u>(94,168)</u>	<u>(4,405)</u>	<u>(98,573)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	48,349	-	48,349
Operating Transfers In	19,802	-	19,802
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>68,151</u>	<u>-</u>	<u>68,151</u>
Cash Flows from Investing Activities:			
Interest on Investments	124	730	854
Net Cash Provided by (Used for) Investing Activities	<u>124</u>	<u>730</u>	<u>854</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(2,009)	-	(2,009)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,009)</u>	<u>-</u>	<u>(2,009)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(27,902)</u>	<u>(3,675)</u>	<u>(31,577)</u>
Cash & Cash Equivalents at Beginning of Year	43,420	21,513	64,933
Cash & Cash Equivalents at End of Year	<u>\$ 15,518</u>	<u>\$ 17,838</u>	<u>\$ 33,356</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (85,714)	\$ (3,675)	\$ (89,389)
Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:			
Depreciation	3,828	-	3,828
Other Adjustments to Non-Operating Income	30,549	-	30,549
Non-Expendable Trust Fund Interest	-	(730)	(730)
(Increase) Decrease in Assets:			
Accounts Receivable	(10,108)	-	(10,108)
Material and Supplies Inventory	700	-	700
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(17,006)	-	(17,006)
Deferred Revenue	(506)	-	(506)
Pension Obligation	(15,309)	-	(15,309)
Accounts Payable	16,483	-	16,483
Accrued Wages and Benefits	(17,085)	-	(17,085)
Total Adjustments	<u>(8,454)</u>	<u>(730)</u>	<u>(9,184)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (94,168)</u>	<u>\$ (4,405)</u>	<u>\$ (98,573)</u>
Reconciliation of Cash and Cash Equivalents of Non-Expendable Trust Funds to Balance Sheet			
Cash & Cash Equivalents - Non Expendable Trust Funds		\$ 17,838	
Cash & Cash Equiv - Expendable Trust & Agency Funds		24,158	
Cash & Cash Equivalents - All Fiduciary Funds		<u>\$ 41,996</u>	

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(1) DESCRIPTION OF THE SCHOOL DISTRICT AND BASIS OF PRESENTATION

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

The Board controls the District's four (4) instructional/support facilities staffed by 45 non-certificated employees, 65 certificated full time teaching personnel and 6 administrative employees to provide services to approximately 1,098.6 students and other community members. It currently operates two (2) elementary schools (K through 5), one (1) middle school (6 through 8), and one (1) comprehensive high school (9 through 12). The School District serves an area of approximately 7 square miles and is located in northern Wood County.

The School District is the 483rd largest in the state of Ohio (among 611 school districts) in terms of enrollment and the 8th largest in Wood County.

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

The District is associated with four organizations which are defined as jointly governed organizations or insurance purchasing pools. These organizations include the Penta County Joint Vocational School, Northern Ohio Educational Computer Association, Wood County Insurance Consortium, and Ohio School Board Association Worker's Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the general purpose financial statements.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(1) DESCRIPTION OF THE SCHOOL DISTRICT AND BASIS OF PRESENTATION

continued

Basis of Presentation:

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

Governmental Funds

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

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(1) DESCRIPTION OF THE SCHOOL DISTRICT AND BASIS OF PRESENTATION
continued

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

2. Proprietary Funds

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

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

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

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus: Governmental and Expendable Trust Types are accounted for on a spending or "financial flow" measurement focus. Governmental and Expendable Trust Fund operating statements represent increases and decreases in net current assets. Their reported fund balance is considered a measure of available spendable resources.

Proprietary Fund Types and Non-Expendable Trust Funds are accounted for on a cost of services or "capital maintenance," measurement focus. Proprietary Fund Type and Non-Expendable Trust Funds operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

The modified accrual basis of accounting is followed for Governmental Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the School District is sixty days after the June 30 year end. That portion of taxes collected and available for advance as of June 30 is considered as revenue of the current period. Current property taxes measurable, but not available as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) were recognized as revenue.

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

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Budgetary Control: The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wood County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. The notable increase in Special Revenue funds results primarily from new grant awards at the state and federal level. All supplemental appropriations were legally enacted by the board during fiscal 1999.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Budget Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which include amendments to the original appropriation, for each fund type by expenditure function and revenue source are presented in the "Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds". The amount shown in the budget to actual comparisons include only current fiscal year appropriations and current fiscal year expenditures and encumbrances.

Cash and Investments: To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in STAROhio during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$54,365, which includes \$28,590 assigned from other School District funds.

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

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

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

Restricted Assets:

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$36,690 refund from the Bureau of Worker's Compensation which State statute required to be included in this reserve. This refund is presented as "cash and cash equivalents" in the accompanying financial statements. A fund balance reserve has also been established for budget stabilization.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Estimates

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

Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for scholarships, contributions to the nonexpendable trust fund that must be kept intact, encumbrances, property taxes, supplies inventory, and budget stabilization for workers' compensation refund.

Property, Plant, Equipment, and Depreciation

1. General Fixed Assets Account Group

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

2. Proprietary Funds

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

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

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

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(3) FUND BALANCE/RETAINED EARNINGS DEFICITS

Fund balances and/or fund equity/retained earnings at June 30, 1999, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$211,475
Food Service	\$ 68,146

These funds complied with Ohio state law by not reflecting a cash basis deficit at year end. The GAAP deficit will be funded by anticipated future revenues not recognized and recorded at June 30, 1999.

(4) RECONCILIATION OF BUDGET BASIS RESULTS OF OPERATIONS TO GAAP BASIS RESULTS OF OPERATIONS

A reconciliation for all fund types at June 30, 1999, from the budget basis to the GAAP basis for excess of revenues and other financing sources over (under) expenditures and other uses follows:

	<u>Budget Basis</u>	<u>Revenue Accrual</u>	<u>Expenditure Accrual</u>	<u>Other Sources (Uses) Accrual</u>	<u>Encumbrances</u>	<u>GAAP Basis</u>
General Fund	(148,598)	99,284	(82,943)	149,689	40,129	57,561
Special Revenue	1,743	(126)	(847)	(459)	8,344	8,655
Debt Service	11,729	6,588	-0-	-0-	-0-	18,317
Capital Projects	(30,792)	-0-	-0-	-0-	-0-	(30,792)
Expendable Trust	2,649	-0-	-0-	-0-	2,400	5,049

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(5) CASH AND CASH EQUIVALENTS

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

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

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

Interim 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 pass book accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association,

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(5) CASH AND CASH EQUIVALENTS

continued

and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(5) CASH AND CASH EQUIVALENTS

continued

Cash on Hand

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

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

Deposits

At year end, the carrying amount of the School District's deposits was \$77,689 and the bank balance was \$127,121. Of the bank balance, \$126,952 was covered by federal depository insurance.

Investments

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

<u>Investments</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreements	\$166,039	\$166,039	\$166,039
Investments in the State Treasurer's Investment Pool		<u>\$222,889</u>	<u>\$222,889</u>
Total Investments		<u>\$388,928</u>	<u>\$388,928</u>

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(5) CASH AND CASH EQUIVALENTS

continued

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 466,732	\$ -0-
Investments of the Cash Management Pool:		
Repurchase Agreement	(\$166,039)	\$166,039
State Treasurer's Investment Pool	(\$222,889)	\$222,889
Cash on Hand	<u>(\$ 115)</u>	<u> </u>
 GASB Statement 3	 <u>\$ 77,689</u>	 <u>\$388,928</u>
 Classifications in Balance Sheet:		
Unrestricted	\$430,042	
Restricted	<u>36,690</u>	
	<u>\$466,732</u>	

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(6) PROPERTY TAXES

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

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$92,693,391. Agricultural/Residential and public utility real estate represented 45.8% (\$42,492,850) of this total, Commercial & Industrial real estate represented 27.5% (\$25,472,400), public utility tangible 6.7% (\$6,175,470) and general tangible property 20.0% (\$18,552,671). The voted general tax rate for operations at the fiscal year ended June 30, 1999, was \$52.70 per \$1,000 of assessed valuation.

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

The School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(6) PROPERTY TAXES

continued

current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$189,430 and is recognized as revenue. \$178,651 was available to the general fund and \$10,779 was available to the debt service fund. This advance was received by the District prior to June 30, 1999, and therefore is not part of the year-end taxes receivable balance. At June 30, 1998, \$63,927 was available to the School District; \$60,223 was available to the general fund and \$3,704 was available to the debt service fund.

(7) RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (rebates and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund:	
Taxes – Current	\$3,710,905
- Delinquent	31,998
Intergovernmental	342,208
Accounts	3,024
Debt Service Fund:	
Taxes – Current	\$ 197,103
- Delinquent	1,651
Intergovernmental	20,074
Enterprise Funds:	
Accounts	\$ 10,085

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(8) FIXED ASSETS

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

	Balance <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 1999</u>
Land/				
Improvements	\$ 193,339	\$ -0-	\$ -0-	\$ 193,339
Building	6,058,360	-0-	-0-	6,058,360
Furniture/				
Equipment	1,098,945	265,336	(26,257)	1,338,024
Other Vehicles	<u>510,873</u>	<u>-0-</u>	<u>-0-</u>	<u>510,873</u>
Total	<u>\$7,861,517</u>	<u>\$265,336</u>	<u>(\$26,257)</u>	<u>\$8,100,596</u>

A summary of Proprietary Fund fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$103,884
Less Accumulated Depreciation	<u>55,611</u>
Net Fixed Assets-Proprietary Fund	<u>\$ 48,273</u>

(9) CAPITALIZED LEASES DISCLOSURE

The sum of minimum future lease payments under capital lease agreements is classified as Capital Leases Payable in the General Long-Term Debt Account Group and the assets financed by the lease agreements are recorded as fixed assets in the General Fixed Assets Account Group. Assets within the General Fixed Assets Account Group under capital leases have a total carrying amount of \$195,900 as of June 30, 1999.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(9) CAPITALIZED LEASES DISCLOSURE

continued

The following is a schedule of the minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

	<u>General Long Term Obligations</u>		<u>Equipment</u>
	<u>Year Ending</u>		<u>Equipment</u>
	2000		\$21,945
	2001		<u>2,704</u>
Total Minimum Lease Payments			\$24,648
Less: Amount Representing Interest			<u>766</u>
Present Value of Future Minimum Lease Payments			<u>\$23,882</u>

(10) SHORT TERM DEBT

A short term note was issued to provide funds in anticipation of the collection of current property tax revenues under Ohio Revised Code Section 133.10 (C) during fiscal year 1999.

A short term note was issued to provide funds over the fiscal year end for the General Fund through Spending Reserve borrowing in anticipation of the collection of personal property tax under Ohio Revised Code Sections 321.24 (C) and (D) during fiscal year 1998.

The following is a description of the Northwood Local School District short term notes outstanding as of June 30, 1999:

<u>Description</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding 06/30/99</u>
Spending Reserve	4.12%	02/25/98	12/31/98	\$150,000	-0-
Tax Anticipation	4.05%	07/01/98	06/25/99	\$417,000	-0-

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(11) LONG TERM DEBT

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

A. The following is a description of the Northwood Local School District bonds outstanding as of June 30, 1999:

<u>Description</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Retired In 1999</u>	<u>Outstanding 06/30/99</u>
Energy Bond	5.6000	04/16/91	12/01/01	\$ 155,000	\$ 15,500	\$ 46,500
General Obligation Bonds	5.3850	04/01/94	12/01/13	2,385,000	95,000	2,055,000
School bus Bonds	5.5892	05/01/96	04/01/05	<u>249,000</u>	<u>25,000</u>	<u>177,000</u>
				<u>\$2,789,000</u>	<u>\$135,500</u>	<u>\$2,278,500</u>

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

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2000	\$ 142,500	\$ 127,169	\$ 269,669
2001	147,500	118,899	266,399
2002	159,500	110,234	269,734
2003	155,000	101,666	256,666
2004	162,000	93,355	255,355
2005-2009	507,000	670,754	1,177,754
2010-2014	<u>1,005,000</u>	<u>162,285</u>	<u>1,167,285</u>
Total	<u>\$2,278,500</u>	<u>\$1,384,362</u>	<u>\$3,662,862</u>

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(11) LONG TERM DEBT

continued

C During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences				
Sick and Vacation Leave	\$ 790,530	\$ -0-	(\$144,544)	\$ 645,986
Pension Obligation Payable	35,426	45,187	-0-	80,613
General Obligation				
Debt	2,414,000	-0-	(135,500)	2,278,500
Capital Leases	65,731	-0-	(41,849)	23,882
Early Retirement Incentive	57,610	-0-	(57,610)	-0-

D LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed property valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the total assessed property valuation of the School District. The effects of these debt limitations at June 30, 1999, are a voted debt margin of \$6,406,011 (including available funds of \$118,605) and an unvoted debt margin of \$92,693.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(12) PENSION OBLIGATIONS

State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution to STRS for the years ended June 30, 1999, 1998, and 1997, were \$445,242, \$424,998, and \$432,516, respectively; 83.6 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$72,964 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(12) PENSION OBLIGATIONS

continued

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. In fiscal 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contribution to SERS for the years ended June 30, 1999, 1998, and 1997 were \$115,826, \$102,632, and \$100,645 respectively; 8.92 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$105,493 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the long term obligations account group.

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(13) POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent in fiscal 1998. For the School District, this amount equaled \$254,470 for fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(13) POSTEMPLOYMENT BENEFITS

continued

fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$71,896 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

(14) SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three (3) enterprise funds to account for the operations of food service, uniform school supplies, and a collaborative preschool program. The table below reflects the more significant financial data relating to the enterprise funds of the Northwood Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Collaborative Preschool Program</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$169,381	\$16,557	\$ -0-	\$185,938
Operating Expenditures				
Less Depreciation	247,539	20,285	-0-	267,824
Depreciation Expense	3,828	-0-	-0-	3,828
Operating Income (Loss)	(81,986)	(3,728)	-0-	(85,714)
Donated Commodities	16,513	-0-	-0-	16,513
Operating Grants	58,190	-0-	-0-	58,190
Refund of Prior Year Expense	2,133	-0-	-0-	2,133
Interest Income	124	-0-	-0-	124
Transfers In	13,802	6,000	-0-	19,802
Property, plant and equipment				
Additions/Revisions	2,010	-0-	-0-	2,010
Net Income (Loss)	8,776	2,272	-0-	11,048
Total Assets	67,220	9,847	279	77,346
Total Equity	35,738	9,847	279	45,864
Encumbrances Outstanding				
June 30, 1999	-0-	1,600	-0-	1,600
Net Working Capital	(\$ 12,535)	\$ 9,847	\$279	(\$ 2,409)

Northwood Local School District, Wood County

Notes to the Financial Statements

For the Year Ended June 30, 1999

(15) RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with Utica Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Utica Insurance covers the boiler and machinery with a \$1,000 deductible and a \$20,984,124 limit.

Professional liability is protected by The Nationwide Insurance Company with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate, a \$100,000 fire damage limit (any one fire) and a \$5,000 medical expense limit (any one person), with a \$5,000 deductible per occurrence. Umbrella Liability insurance coverage with each occurrence limit at \$2,000,000 and an aggregate limit of \$5,000,000 is also protected by Nationwide Insurance Company.

Vehicles are covered by Utica Insurance and hold no deductible for comprehensive and a \$100 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Additional Automobile umbrella liability coverage through Nationwide Insurance Company provides \$1,000,000 per accident. Settled claims have not exceeded this commercial coverage in the past five years. There have been no significant reductions in insurance coverage from last year.

Worker's Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(15) RISK MANAGEMENT

continued

Employee Medical Benefits

As of August 10, 1982, the School District has contracted with the Wood County Insurance Consortium (Note 19) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution to a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 1999, the School District's and the employees' premiums were \$605.98 and \$40.00 for the indemnity plan family coverage, \$435.14 and \$5.00 for the Preferred Provider Option plan, and \$226.30 for the single indemnity plan with a co-pay of \$15.00, and \$163.27 for the single Preferred Provider Option plan. Dental insurance is also provided by the School District to all employees through Wood County Insurance Consortium. For fiscal year 1999, the School District's cost was a composite rate of \$42.98 month per employee. A \$45.00 cap on the dental premium is in place for classified employees for 1999.

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(16) CONTINGENT LIABILITIES

The School District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 1999.

(17) CONTRIBUTED CAPITAL

Contributed capital represents resources contributed from other governments, or other funds of the District that are not subject to repayment. These assets are recorded at a cost-based measure of fair value on the date the asset is contributed.

Contributed Capital July 1, 1998	\$101,874
Additions	<u>2,010</u>
Contributed Capital June 30, 1999	<u>\$103,884</u>

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(18) JOINTLY GOVERNED ORGANIZATIONS

A. Penta County Joint Vocational School

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

B. Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA) which is a computer consortium. NOECA is an association of 42 educational entities, primarily school districts, located in Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by its participating members which consists of a representative from each member entity and a representative from the fiscal agent. During fiscal year 1999, the District paid \$3,021 in assessments to the consortium. Financial information can be obtained from Erie-Ottawa County Educational Service Center, from Betty Schwiesert, who serves as Treasurer, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(19) INSURANCE PURCHASING POOLS

A. Wood County Insurance Consortium

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

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

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

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

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(20) STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,185,978 of school foundation support for its general fund.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the School District did not borrow under this program. However, the School District repaid \$150,000 borrowed in fiscal year 1998. The School District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year for the last two fiscal years. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any this ongoing litigation will have on its future State funding under these programs and on its financial operations.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(21) SET ASIDES

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of July 1, 1998	\$ -0-	\$ -0-	\$ 36,690	\$ 36,690
Current Year Set-aside Requirement	102,635	102,635	-0-	205,270
Current Year Offsets	14,784	-0-	-0-	14,784
Qualifying Disbursements	<u>222,007</u>	<u>125,268</u>	<u>-0-</u>	<u>347,275</u>
Total	<u>(\$134,156)</u>	<u>(\$ 22,633)</u>	<u>\$ 36,690</u>	<u>(\$120,099)</u>
Cash Balance Carried Forward to FY 1999	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 36,690</u>	
Total Restricted Assets				<u>\$ 36,690</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

No allocation to the Budget Stabilization Reserve is required in a fiscal year in which a school district has borrowed against its spending reserve based on a projected deficit in its current year tax budget. As discussed in Notes 10 and 20, the School District participated in the spending reserve borrowing program in fiscal 1998; the amount borrowed was repaid in fiscal 1999.

(22) EARLY RETIREMENT INCENTIVE

The School District Board of Education approved an Early Retirement Incentive program. Participation was open to employees who were at least fifty years old, qualified for retirement with the additional years of credited service purchased by the Board on behalf of the employee, and agreed to retire within ninety days after notification that credit had been purchased. Final payment for the early retirement incentive program was made by June 30, 1999. The payment has been reclassified and is reflected as a debt service expenditure of \$57,610 in the fiscal 1999 general purpose financial statements for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Northwood Local School District, Wood County
Notes to the Financial Statements
For the Year Ended June 30, 1999

(23) SUBSEQUENT EVENTS

Northwood Local Schools passed a 2.5 mill permanent improvement levy on May 4, 1999, which provides additional funding for capital improvements set-asides established through the legislative process. The District issued Tax Anticipation Notes dated November 1, 1999, pursuant to Revised Code Sections 133.24 and 5705.21 in the amount of \$335,000 for a period of five (5) years to begin capital improvements projects against the permanent improvement levy.

District also borrowed \$350,000 under O.R.C. Chapter 133, particularly Section 133.06(G) thereof, for a H.B. 264 Energy Conservation Program with approval from the Ohio Facilities Commission for various projects for a ten (10) year period. Bonds were also dated November 1, 1999.



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

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

We have audited the financial statements of Northwood Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated January 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Weber · O'Brien, LTD.

January 18, 2000

Northwood Local School District, Wood County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 1999

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

As of March 19, 1999, Northwood Local School District completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the District operations and identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS). The District has four school buildings with power systems which have extensive efficiency utilization measures within the systems. The District contracts with Honeywell, Inc. Per a letter from Honeywell, Honeywell confirmed that the Y7505 M&O Link has been remediated and validated. The hardware and software will properly process and use dates before, during, and after the transition from December 31, 1999 to January 1, 2000.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

Wood County collects property taxes for distribution to the District. Wood County is responsible for remediating its tax collection system.

The State distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

The Northwood Local School District has obtained letters of certification or information concerning remediation required for Year 2000 Compliance from District vendors for telecommunications, energy monitoring, and software in use in the District.

To the best of management's knowledge and belief, as of January 18, 2000 the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet unknown.



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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.

By: Susan Babbitt

Date: MARCH 21, 2000