

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2002**





**Auditor of State  
Betty Montgomery**

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Board of Education  
Northwood Local School District  
Northwood, Ohio

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, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2002**

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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, 2002

<u>TITLE</u> <u>Name</u>	<u>Term of Office or</u> <u>Contract Period</u>	<u>Surety</u> <u>Amount</u>	<u>Period</u>
<b>BOARD OF EDUCATION</b>			
President Randy Kozina	1/1/00–12/31/2003 (A)	\$20,000	1/1/02–1/1/2003
Vice President Denise Niese	1/1/00–12/31/2003		
Members:			
Mike Melnyk	1/1/02–12/31/2005		
Scott Phelps	1/1/02–12/31/2005		
Kathy White	1/1/02–12/31/2005		
<b>LEGAL COUNSEL</b>			
Wood County Prosecuting Attorney: Alan Mayberry One Courthouse Square Bowling Green, Ohio 43402			
<b>TREASURER</b>			
Ruth Destatte	1/1/99 to Organizational Meeting 2003	(B) \$20,000	1/1/99 to Organizational Meeting 2003
<b>SUPERINTENDENT</b>			
Ronald W. Matter	8/1/01 – 7/31/2006 (A)	\$20,000	8/1/01-1/1/2003

(A) The Ohio Casualty Insurance Company

(B) Nationwide Mutual Insurance Company

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

INDEX OF FUNDS AND ACCOUNT GROUPS

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund

Special Revenue Fund Type:

Public School Support Fund

District Managed Student Activity Fund

Teacher Development Fund

Early Childhood Education Fund

Data Communications for School Building Fund

School Net Professional Development Fund

Educational Management Information Systems Fund

Textbook and Instructional Materials Fund

Title I - Education Consolidation and Improvement Act Fund

Title VI - Education Consolidation and Improvement Act Fund

Telecommunications - E-Rate Fund

Miscellaneous State Grant Fund

Miscellaneous Federal Grant Funds

Other Grant

IVDL Grant Fund

Ohio Reads Grant Fund

Debt Service Fund Type:

Bond Retirement Fund

Capital Projects Fund Type:

Building Fund

SchoolNet Fund

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund

Uniform School Supply Fund

Special Enterprises Fund

FIDUCIARY FUND TYPE:

Trust and Agency Fund Types:

Expendable Trust Fund:

Special Trust Funds

Nonexpendable Trust Fund:

High School Student Council Scholarship Fund

Agency Fund:

Student Managed Activity Funds

ACCOUNT GROUPS

General Fixed Asset Account Group

General Long-Term Obligations Account Group





## 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, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwood Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2002 on our consideration of the Northwood Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

weber · obrien, LTD.

November 25, 2002

**Northwood Local School District - Wood County  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$463,030	\$161,040	\$81,940	\$163,459
Receivables:				
Taxes	4,450,925		235,390	230,416
Accounts	260			
Intergovernmental		17,715		
Materials and Supplies Inventory	23,582			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,013			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
<b>Total Assets and Other Debits</b>	<u>\$4,939,810</u>	<u>\$178,755</u>	<u>\$317,330</u>	<u>\$393,875</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$5,177	\$97		
Accrued Wages and Benefits	670,722	16,959		
Compensated Absences Payable	62,210			
Intergovernmental Payable	107,963	3,230		
Deferred Revenue	4,055,191	554	\$210,060	\$207,176
Due to Students				
Notes Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>4,901,263</u>	<u>20,840</u>	<u>210,060</u>	<u>207,176</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	42,572	19,704		5,370
Reserved for Inventory	23,582			
Reserved for Contributions				
Reserved for Property Taxes	395,734		25,330	23,240
Reserved for Budget Stabilization	2,013			
Unreserved:				
Unreserved, Undesignated	(425,354)	138,211	81,940	158,089
<b>Total Fund Equity and Other Credits</b>	<u>38,547</u>	<u>157,915</u>	<u>107,270</u>	<u>186,699</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$4,939,810</u>	<u>\$178,755</u>	<u>\$317,330</u>	<u>\$393,875</u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$37,959	\$76,409			\$983,837
				4,916,731
				260
1,366				19,081
4,492				28,074
				2,013
117,844		\$8,774,598		8,892,442
(70,313)				(70,313)
			\$81,940	81,940
			3,203,324	3,203,324
<u>\$91,348</u>	<u>\$76,409</u>	<u>\$8,774,598</u>	<u>\$3,285,264</u>	<u>\$18,057,389</u>
\$6,463				\$11,737
14,669				702,350
2,623			\$602,573	667,406
13,275			56,639	181,107
1,016				4,473,997
	\$22,011			22,011
			210,000	210,000
			12,052	12,052
			575,000	575,000
			1,829,000	1,829,000
<u>38,046</u>	<u>22,011</u>		<u>3,285,264</u>	<u>8,684,660</u>
		\$8,774,598		8,774,598
106,993				106,993
(53,691)				(53,691)
				67,646
				23,582
	17,838			17,838
				444,304
				2,013
	36,560			(10,554)
<u>53,302</u>	<u>54,398</u>	<u>8,774,598</u>		<u>9,372,729</u>
<u>\$91,348</u>	<u>\$76,409</u>	<u>\$8,774,598</u>	<u>\$3,285,264</u>	<u>\$18,057,389</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 Year Ended June 30, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$3,031,269	\$159,792
Interest	27,933	
Tuition and Fees	7,797	3,829
Rent	3,665	
Extracurricular Activities		158,612
Gifts and Donations	54,000	4,435
Property & Other Local Taxes	4,571,568	
Miscellaneous	237,873	27,991
Total Revenues	7,934,105	354,659
<b>Expenditures:</b>		
Instruction:		
Regular	3,836,202	164,605
Special	369,388	75,486
Vocational	52,601	
Other	75,099	
Support services:		
Pupils	355,427	305
Instructional Staff	657,790	20,884
Board of Education	26,848	
Administration	646,221	5,593
Fiscal	279,962	275
Operation and Maintenance of Plant	736,510	
Pupil Transportation	283,554	
Central		807
Non-Instructional Services	238	
Extracurricular activities	207,244	93,930
Capital Outlay	76,851	
Debt Service		
Debt Service - Principal	26,866	
Debt Service - Interest	2,822	
Total Expenditures	7,633,623	361,885
Excess of Revenues Over (Under) Expenditures	300,482	(7,226)
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		12,844
Refund of Prior Year Expenditures	3,294	4,794
Other Financing Sources		8,301
Operating Transfers Out	(219,299)	
Total Other Financing Sources (Uses)	(216,005)	25,939
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	84,477	18,713
Fund Balance at Beginning of Year	(45,930)	139,202
<b>Fund Balance at End of Year</b>	<b>\$38,547</b>	<b>\$157,915</b>

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$21,187	\$31,467	\$212	\$3,243,715
			28,145
			11,626
			3,665
			158,612
		3,745	62,180
215,650	236,111		5,023,329
			265,864
<u>236,837</u>	<u>267,578</u>	<u>3,957</u>	<u>8,797,136</u>
	2,389		4,003,196
			444,874
			52,601
			75,099
			355,732
			678,674
			26,848
			651,814
2,483	2,823		285,543
			736,510
			283,554
			807
		1,250	1,488
			301,174
	142,154		219,005
274,500			301,366
158,449			161,271
<u>435,432</u>	<u>147,366</u>	<u>1,250</u>	<u>8,579,556</u>
<u>(198,595)</u>	<u>120,212</u>	<u>2,707</u>	<u>217,580</u>
215,035			227,879
			8,088
			8,301
	(78,580)		(297,879)
<u>215,035</u>	<u>(78,580)</u>		<u>(53,611)</u>
16,440	41,632	2,707	163,969
90,830	145,067	7,840	337,009
<u>\$107,270</u>	<u>\$186,699</u>	<u>\$10,547</u>	<u>\$500,978</u>

**Northwood Local School District - Wood County**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>			
Intergovernmental	\$2,929,046	\$3,031,269	\$102,223
Interest	57,000	27,933	(29,067)
Tuition and Fees	8,000	7,797	(203)
Rent	9,500	3,665	(5,835)
Extracurricular Activities			
Gifts and Donations	55,000	54,000	(1,000)
Property & Other Local Taxes	4,282,543	4,461,315	178,772
Miscellaneous	231,654	237,873	6,219
<b>Total Revenues</b>	<b>7,572,743</b>	<b>7,823,852</b>	<b>251,109</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,790,911	3,773,931	16,980
Special	371,834	370,794	1,040
Vocational	56,889	52,281	4,608
Other	81,000	81,000	
Support services:			
Pupils	381,689	367,257	14,432
Instructional Staff	668,267	662,084	6,183
Board of Education	30,109	27,407	2,702
Administration	687,975	679,482	8,493
Fiscal	287,902	283,519	4,383
Operation and Maintenance of Plant	766,992	749,546	17,446
Pupil Transportation	290,065	288,000	2,065
Central			
Non-Instructional Services	250	238	12
Extracurricular activities	208,764	205,277	3,487
Capital Outlay	96,319	94,243	2,076
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>7,718,966</b>	<b>7,635,059</b>	<b>83,907</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(146,223)</b>	<b>188,793</b>	<b>335,016</b>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	15,000	15,000	
Proceeds from Sale of Fixed Assets	10,000		(10,000)
Refund of Prior Year Expenditures	10,000	3,532	(6,468)
Advances In	15,000	5,000	(10,000)
Other Financing Sources			
Operating Transfers Out	(219,568)	(219,299)	269
Advances Out	(5,000)	(5,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(174,568)</b>	<b>(200,767)</b>	<b>(26,199)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(320,791)</b>	<b>(11,974)</b>	<b>308,817</b>
Fund Balances at Beginning of Year	355,603	355,603	
Prior Year Encumbrances Appropriated	77,670	77,670	
<b>Fund Balance at end of Year</b>	<b>\$112,482</b>	<b>\$421,299</b>	<b>\$308,817</b>

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

**Governmental Fund Types**

<u>Special Revenue</u>			<u>Debt Service</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$140,956	\$142,631	\$1,675	\$23,770	\$21,187	(\$2,583)
	3,829	3,829			
147,381	158,612	11,231			
4,851	4,435	(416)			
			193,468	203,855	10,387
23,875	27,991	4,116			
<u>317,063</u>	<u>337,498</u>	<u>20,435</u>	<u>217,238</u>	<u>225,042</u>	<u>7,804</u>
193,962	162,840	31,122			
79,839	72,757	7,082			
305	305				
24,631	21,811	2,820			
5,687	5,659	28			
275	275		2,500	2,483	17
1,936	874	1,062			
133,371	108,442	24,929			
			274,500	274,500	
			158,449	158,449	
<u>440,006</u>	<u>372,963</u>	<u>67,043</u>	<u>435,449</u>	<u>435,432</u>	<u>17</u>
<u>(122,943)</u>	<u>(35,465)</u>	<u>87,478</u>	<u>(218,211)</u>	<u>(210,390)</u>	<u>7,821</u>
12,844	12,844		215,035	215,035	
4,724	4,794	70			
5,000	5,000				
8,301	8,301				
(5,000)	(5,000)				
<u>25,869</u>	<u>25,939</u>	<u>70</u>	<u>215,035</u>	<u>215,035</u>	
(97,074)	(9,526)	87,548	(3,176)	4,645	7,821
123,169	123,169		77,295	77,295	
27,595	27,595				
<u>\$53,690</u>	<u>\$141,238</u>	<u>\$87,548</u>	<u>\$74,119</u>	<u>\$81,940</u>	<u>\$7,821</u>

(Continued)

**Northwood Local School District - Wood County**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 2002**  
 (Continued)

	<b>Governmental Fund Types</b>		
	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>			
Intergovernmental	\$31,481	\$31,467	(\$14)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property & Other Local Taxes	220,594	229,331	8,737
Miscellaneous			
Total Revenues	<u>252,075</u>	<u>260,798</u>	<u>8,723</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	15,489	2,389	13,100
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	6,500		6,500
Board of Education			
Administration			
Fiscal	3,000	2,823	177
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	270,129	147,524	122,605
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>295,118</u>	<u>152,736</u>	<u>142,382</u>
Excess of Revenues Over (Under) Expenditures	<u>(43,043)</u>	<u>108,062</u>	<u>151,105</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out	(78,580)	(78,580)	
Advances Out			
Total Other Financing Sources (Uses)	<u>(78,580)</u>	<u>(78,580)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(121,623)	29,482	151,105
Fund Balances at Beginning of Year	68,478	68,478	
Prior Year Encumbrances Appropriated	60,129	60,129	
<b>Fund Balance at end of Year</b>	<u><u>\$6,984</u></u>	<u><u>\$158,089</u></u>	<u><u>\$151,105</u></u>

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



Fiduciary Trust Fund Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance	Budget	Actual	Variance
			\$3,125,253	\$3,226,554	\$101,301
\$100	\$212	\$112	57,100	28,145	(28,955)
			8,000	11,626	3,626
			9,500	3,665	(5,835)
			147,381	158,612	11,231
1,263	3,745	2,482	61,114	62,180	1,066
			4,696,605	4,894,501	197,896
			255,529	265,864	10,335
<u>1,363</u>	<u>3,957</u>	<u>2,594</u>	<u>8,360,482</u>	<u>8,651,147</u>	<u>290,665</u>
			4,000,362	3,939,160	61,202
			451,673	443,551	8,122
			56,889	52,281	4,608
			81,000	81,000	
			381,994	367,562	14,432
			699,398	683,895	15,503
			30,109	27,407	2,702
			693,662	685,141	8,521
			293,677	289,100	4,577
			766,992	749,546	17,446
			290,065	288,000	2,065
			1,936	874	1,062
3,000	1,250	1,750	3,250	1,488	1,762
			342,135	313,719	28,416
			366,448	241,767	124,681
			274,500	274,500	
			158,449	158,449	
<u>3,000</u>	<u>1,250</u>	<u>1,750</u>	<u>8,892,539</u>	<u>8,597,440</u>	<u>295,099</u>
<u>(1,637)</u>	<u>2,707</u>	<u>4,344</u>	<u>(532,057)</u>	<u>53,707</u>	<u>585,764</u>
			242,879	242,879	
			10,000		(10,000)
			14,724	8,326	(6,398)
			20,000	10,000	(10,000)
			8,301	8,301	
			(298,148)	(297,879)	269
			(10,000)	(10,000)	
			<u>(12,244)</u>	<u>(38,373)</u>	<u>(26,129)</u>
(1,637)	2,707	4,344	(544,301)	15,334	559,635
6,090	6,090		630,635	630,635	
1,750	1,750		167,144	167,144	
<u>\$6,203</u>	<u>\$10,547</u>	<u>\$4,344</u>	<u>\$253,478</u>	<u>\$813,113</u>	<u>\$559,635</u>

**Northwood Local School District - Wood County**  
**Combined Statement of Revenues, Expenses**  
**and Changes in (Accumulated Deficit)/Fund Balance**  
**All Proprietary Fund Types and Non-Expendable Trust Funds**  
**For the Year Ended June 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$200,027		\$200,027
Interest		\$819	819
Contributions and Donations		12,233	12,233
Total Operating Revenues	<u>200,027</u>	<u>13,052</u>	<u>213,079</u>
<b>Operating Expenses</b>			
Salaries	89,573		89,573
Fringe Benefits	18,006		18,006
Purchased Services	83,707		83,707
Materials and Supplies	138,858		138,858
Depreciation	3,790		3,790
Other	596	4,500	5,096
Total Operating Expenses	<u>334,530</u>	<u>4,500</u>	<u>339,030</u>
Operating Income (Loss)	<u>(134,503)</u>	<u>8,552</u>	<u>(125,951)</u>
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	18,628		18,628
Interest	188		188
Federal and State Subsidies	73,320		73,320
Other	9,654		9,654
Total Non-Operating Revenues and Expenses	<u>101,790</u>		<u>101,790</u>
Income (Loss) Before Operating Transfers	<u>(32,713)</u>	<u>8,552</u>	<u>(24,161)</u>
Operating Transfers-In	70,000		70,000
Net Income (Loss)	<u>37,287</u>	<u>8,552</u>	<u>45,839</u>
(Accumulated Deficit)/Retained Earnings/ Fund Balances at Beginning of Year	16,806	35,299	52,105
Change in Reporting Fixed Assets	(791)		(791)
(Accumulated Deficit)/Retained Earnings/ Fund Balances at Beginning of Year - Restated	16,015	35,299	51,314
(Accumulated Deficit)/Retained Earnings/ Fund Balances at End of Year	<u>53,302</u>	<u>43,851</u>	<u>97,153</u>

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

**Northwood Local School District - Wood County**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types and Non-Expendable Trust Funds**  
**For the Year Ended June 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$200,027		\$200,027
Other Cash Receipts		\$12,233	12,233
Cash Payments to Suppliers for Goods and Service	(142,743)		(142,743)
Cash Payments for Contract Services	(83,707)		(83,707)
Cash Payments for Employee Services	(90,677)		(90,677)
Cash Payments for Employee Benefits	(21,021)		(21,021)
Other Cash Payments	(596)	(4,500)	(5,096)
Net Cash Provided (Used) by Operating Activities	<u>(138,717)</u>	<u>7,733</u>	<u>(130,984)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	81,674		81,674
Other	9,654		9,654
Transfers In	70,000		70,000
Return of Advance	(15,000)		(15,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>146,328</u>		<u>146,328</u>
Cash Flows from Investing Activities:			
Interest Received	188	819	1,007
Net Cash Provided (Used) by Investing Activities	<u>188</u>	<u>819</u>	<u>1,007</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,799	8,552	16,351
Cash and Cash Equivalents at Beginning of Year	<u>30,160</u>	<u>35,299</u>	<u>65,459</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$37,959</u></b>	<b><u>\$43,851</u></b>	<b><u>\$81,810</u></b>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$134,503)	\$8,552	(\$125,951)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,790		3,790
Donated Commodities Used During the Year	18,628		18,628
Nonexpendable Trust Interest		(819)	(819)
(Increase) Decrease in Assets:			
Material and Supplies Inventory	(1,484)		(1,484)
Increase (Decrease) in Liabilities:			
Accounts Payable	(20,693)		(20,693)
Compensated Absences Payable	(795)		(795)
Intergovernmental Payable	(3,456)		(3,456)
Deferred Revenue	(336)		(336)
Accrued Wages and Benefits	132		132
Total Adjustments	<u>(4,214)</u>	<u>(819)</u>	<u>(5,033)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(\$138,717)</u></b>	<b><u>\$7,733</u></b>	<b><u>(\$130,984)</u></b>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:			
Cash and Cash Equivalents — Trust and Agency Funds			\$76,409
Less: Expendable Trust Funds			(10,547)
Less: Agency Funds			(22,011)
Cash and Cash Equivalents — Nonexpendable Trust Funds			<u>\$43,851</u>

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

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002**

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

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

The Board controls the District's four (4) instructional/support facilities staffed by 45 non-certificated employees, 68 certificated full time teaching personnel and 6 administrative employees to provide services to approximately 998 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 501st largest in the state of Ohio (among 611 school districts) in terms of enrollment and the 8th largest in Wood County.

*Reporting Entity:*

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

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

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

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

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

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

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

*Governmental Fund Types:*

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

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

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

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

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

*Proprietary Fund Types:*

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

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

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

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

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the School District is sixty days after the June 30 year end. That portion of taxes collected and available for advance as of June 30 is considered as revenue of the current period. Current property taxes measurable, but not available as of June 30, 2002, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) were recognized as revenue.

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

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

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

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

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

**C. Budgetary Process**

The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wood County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The notable increase in Special Revenue funds results primarily from new grant awards at the state and federal level. All supplemental appropriations were legally enacted by the board during fiscal 2002.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

*Encumbrances:*

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

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

**D. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAROhio during fiscal year 2002. 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$27,933, which includes \$11,173 assigned from other District funds.

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

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

**E. Inventory**

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

**F. Estimates**

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

**G. Fixed Assets and Depreciation**

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



**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

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

**H. Intergovernmental Revenues**

In governmental funds, entitlements, grants and donations are recorded as receivables and revenue when measurable and available and all eligibility requirements have been met. Grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs.

**I. Compensated Absences**

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

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

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

**J. Interfund Transactions**

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

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$11,974)	(\$9,526)	\$4,645	\$29,482	\$2,707
Net Adjustment for:					
Revenue Accruals	110,253	17,161	11,795	6,780	
Expenditure Accruals	(42,308)	(8,725)			
Other Sources/Uses	(15,238)				
Encumbrances	43,744	19,803		5,370	
GAAP Basis	<u>\$84,477</u>	<u>\$18,713</u>	<u>\$16,440</u>	<u>\$41,632</u>	<u>\$2,707</u>

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

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

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

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

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

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

*Deposits:* At year-end, the carrying amount of the School District's deposits was \$227,042 and the bank balance was \$372,199. Of the bank balance, \$200,000 was covered by federal depository insurance. The uninsured bank balance was secured by collateralized pools securing all public funds on deposit with specific financial institutions.

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

Investments	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$157,365	\$157,365	\$157,365
Investments in the State Treasurer's Investment Pool		601,327	601,327
Total Investments	<u>\$157,365</u>	<u>\$758,692</u>	<u>\$758,692</u>

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

**Northwood Local School District  
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**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$985,849	
Investments of the Cash Management Pool:		
Repurchase Agreement	(157,365)	\$157,365
State Treasurer's Investment Pool	(601,327)	601,327
Cash on Hand	(115)	
GASB Statement 3	\$227,042	\$758,692

**NOTE 5 - PROPERTY TAXES**

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

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

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	Amount	Percent
Agricultural/Residential and Other RE	\$93,835,580	78%
Public Utility	4,233,200	4%
Tangible Personal Property	21,421,140	18%
Total Assessed Value	\$119,489,920	100%
Tax rate per \$1,000 of assessed valuation	\$65.50	

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

The District receives property taxes from Wood County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Northwood Local School District  
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**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$444,304 and is recognized as revenue. \$395,734 was available to the general fund, \$25,330 was available to the debt service fund, and \$23,240 was available to the capital projects fund.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2002, consisted of taxes, accounts (rebates and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. A summary of the principal items of receivables follows:

	Amounts
General Fund:	
Taxes	\$4,450,925
Accounts	260
Special Revenue Fund	
Intergovernmental	17,715
Debt Service Fund:	
Taxes	235,390
Capital Projects Fund:	
Taxes	230,416
Enterprise Fund:	
Intergovernmental	1,366

**NOTE 7 - FIXED ASSETS**

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

	Balance July 1, 2001 Restated	Increases	Decreases	Balance June 30, 2002
Land/Improvements	\$193,339			\$193,339
Building	6,809,694	\$14,400		6,824,094
Furniture/Equipment	1,182,188	71,509		1,253,697
Other Vehicles	503,468			503,468
Total	\$8,688,689	\$85,909		\$8,774,598

A summary of Proprietary Fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$117,844
Less: Accumulated Depreciation	(70,313)
Net Fixed Assets-Proprietary Fund	\$47,531

Effective July 1, 2002, the District changed its policy on reporting fixed assets, increasing the minimum cost for capitalization from \$500 to \$1,500 and reclassifying certain assets to different asset groups. The change in capitalization policy is reported as a change in accounting estimate, based on inflationary effects on asset costs over time and a perceived lack of future economic benefit to be derived from deferring the costs of smaller dollar

**Northwood Local School District  
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**Notes to the General Purpose Financial Statements  
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(Continued)**

fixed assets. This decreased the beginning balance by \$371,783 in the General Fixed Asset Account Group. The changes increased the beginning balance in the Proprietary Fund fixed assets by \$796 and accumulated depreciation increased by \$1,587.

**NOTE 8 - CAPITALIZED LEASES DISCLOSURE**

The sum of minimum future lease payments under capital lease agreements is classified as Capital Leases Payable in the General Long-Term Debt Account Group and the assets financed by the lease agreements are recorded as fixed assets in the General Fixed Assets Account Group. Assets within the General Fixed Assets Account Group under capital leases have a total carrying amount of \$76,100 as of June 30, 2002.

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, 2002:

	General Long Term Obligations	
	Year Ending	Equipment
	2003	\$12,370
Total Minimum Lease Payments		12,370
Less: Amount Representing Interest		(318)
Present Value of Future Minimum Lease Payments		\$12,052

**NOTE 9 – DEBT**

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

The following is a description of the District's debt outstanding as of June 30, 2002:

Description	Interest Rates	Issue Date	Maturity Date	Original Amount	Retired In 2002	Outstanding 06/30/02
Energy Bond	5.6000	04/19/91	12/01/01	\$155,000	\$15,500	\$0
General Obligation Bonds	5.3850	04/01/94	12/01/13	2,385,000	115,000	1,735,000
School Bus Bonds	5.5692	05/01/96	04/01/05	249,000	29,000	94,000
Permanent Improvement	5.6000	11/01/99	12/01/04	335,000	65,000	210,000
Energy Bond	5.8500	09/01/00	12/01/10	300,000	20,000	280,000
Energy Bond	5.7000	11/01/99	12/01/09	350,000	30,000	295,000
Totals				\$3,774,000	\$274,500	\$2,614,000

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

Year Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2003	\$275,000	\$143,214	\$418,214
2004	287,000	127,951	414,951
2005	302,000	111,744	413,744
2006	215,000	96,517	311,517
2007	225,000	84,236	309,236
2008-2012	875,000	608,468	1,483,468
2013-2014	435,000	26,815	461,815
Total	\$2,614,000	\$1,198,945	\$3,812,945

**Northwood Local School District  
Wood County**

**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

During the year ended June 30, 2002, 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> July 1, 2001	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> June 30, 2002
Compensated Absences	\$626,539		\$23,966	\$602,573
Pension Obligation Payable	47,146	\$9,493		56,639
Bonds and Notes Payable	2,888,500		274,500	2,614,000
Capital Leases Payable	38,918		26,866	12,052

*Legal Debt Margin:*

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed property valuation of the District. The Ohio Revised Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the total assessed property valuation of the District. The effects of these debt limitations at June 30, 2002, are a voted debt margin of \$8,925,093 (including available funds of \$81,940) and an unvoted debt margin of \$119,490.

**NOTE 10 - PENSION OBLIGATIONS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contribution to SERS for the years ended June 30, 2002, 2001, and 2000 were \$153,718, \$150,435, and \$172,372 respectively; 48 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$79,585 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the long-term obligations account group.

**B. State Teachers Retirement System**

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



**Northwood Local School District  
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**Notes to the General Purpose Financial Statements  
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(Continued)**

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution to STRS for the years ended June 30, 2002, 2001, and 2000, were \$501,398, \$496,898, and \$498,683, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$85,423 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001 (the most recent information available), the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. 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 fiscal 2002, the minimum pay has been established as \$12,400. 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.

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**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

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

The District contributed \$93,800 to fund postemployment benefits for the fiscal year ended June 30, 2002.

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

The District maintains three (3) enterprise funds to account for the operations of food service, uniform school supplies, and a collaborative preschool program. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Special Enterprise	Total Enterprise Funds
Operating Revenues	\$184,303	\$15,724		\$200,027
Operating Expenditures				
Less Depreciation	(315,257)	(15,483)		(330,740)
Depreciation Expense	(3,790)			(3,790)
Operating (Loss)	(134,744)	241		(134,503)
Donated Commodities	18,628			18,628
Grants	73,320			73,320
Other	9,654			9,654
Interest	188			188
Transfers In	65,000	5,000		70,000
Net Income (Loss)	32,046	5,241		37,287
Working Capital	(10,573)	16,065	\$279	5,771
Total Assets	75,004	16,065	279	91,348
Total Liabilities	38,046			38,046
Total Equity	36,958	16,065	279	53,302

**NOTE 13 - RISK MANAGEMENT**

*Property and Liability*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the District contracted with Utica Insurance for property and general liability insurance with a \$31,805,765 limit. 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.

General educational liability is protected by The Ohio School Plan with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate, a \$500,000 fire damage limit (any one fire) and a \$10,000 medical expense limit (any one person), with no deductible per occurrence. Umbrella Liability insurance coverage with each occurrence limit at \$1,000,000 and an aggregate limit of \$1,000,000 is protected by The Hartford Group.

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 The Hartford Group provides \$1,000,000 per accident. Settled claims have not exceeded this commercial

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Wood County**

**Notes to the General Purpose Financial Statements  
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coverage in the past five years. There have been no significant reductions in insurance coverage from last year, except a reduction in the aggregate limit from \$5,000,000 to \$3,000,000 on the general educational liability policy.

*Workers' Compensation*

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

*Employee Medical Benefits*

As of August 10, 1982, the District has contracted with the Wood County Insurance Consortium (Note 17) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution to a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2002, the District's and the employees' premiums were \$883.40 and \$70.00 for the indemnity plan family coverage, \$686.36 and \$20.00 for the Preferred Provider Option plan, and \$329.91 for the single indemnity plan with a co-pay of \$26.00, and \$257.52 for the single Preferred Provider Option plan with a co-pay of \$6.00. Dental insurance is also provided by the District to all employees through Wood County Insurance Consortium. For fiscal year 2002, the District's cost was a composite rate of \$44.70 per month per employee. A \$45.00 cap on the dental premium is in place for classified employees for 2002. A co-pay of \$5.00 for dental insurance for certified and classified staff members commenced July 1, 2000.

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

**NOTE 14 - 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, 2001	\$106,993
Additions	
Contributed Capital June 30, 2002	<u>\$106,993</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Penta County Joint Vocational School**

The District is a member district of 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

**Northwood Local School District  
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(Continued)**

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 2002, the District paid \$22,648 in assessments to the consortium. Financial information can be obtained from Erie-Ottawa County Educational Service Center, from Betty Schwiesert, who serves as Treasurer, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**NOTE 16 - INSURANCE PURCHASING POOLS**

**A. Wood County Insurance Consortium**

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

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

**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  
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**Notes to the General Purpose Financial Statements  
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**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

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 District at June 30, 2002.

**B. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. For fiscal year 2002, only the unspent portion of certain workers compensation refunds are required to be set aside at fiscal year end. The balance no longer required by statute for budget stabilization was designated by the District to be used for budget stabilization.

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**Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)**

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2001	(\$28,896)		\$38,657	
Current Year Set-aside Requirement	107,265	\$107,265		
Current Year Offsets		(142,154)		
Qualifying Disbursements	(200,019)	(122,587)	(36,644)	
Total	(\$121,650)	(\$157,476)	\$2,013	
Cash Balance Carried Forward to FY 2003	(\$121,650)		\$2,013	
Amount restricted for Budget Stabilization				\$2,013
Total Restricted Assets				\$2,013

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

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

**NOTE 19 – SUBSEQUENT EVENT**

At the November 2002 general election, the voters of the District approved a new 4.9 mill Continuing Operating Levy.



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

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

We have audited the general purpose financial statements of Northwood Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

W. O'Brien, LTD.

November 25, 2002







**Auditor of State  
Betty Montgomery**

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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 30, 2003**