

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2004**





**Auditor of State  
Betty Montgomery**

Board of Education  
Northwood Local School District  
600 Lemoyne St.  
Northwood, OH 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, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

January 10, 2005

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**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2004**

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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, 2004**

<u>TITLE Name</u>	<u>Term of Office or Contract Period</u>	<u>Surety Amount</u>	<u>Period</u>
<b>BOARD OF EDUCATION</b>			
President Randy Kozina	1/1/04–12/31/2008 (A)	\$20,000	1/1/04–12/31/08
Vice President Denise Niese	1/1/04–12/31/2008		
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: Raymond C. Fischer One Courthouse Square Bowling Green, Ohio 43402			
<b>TREASURER</b>			
Pat Weber	3/29/04 to Organizational Meeting 2006	(B) \$20,000	3/29/04 to Organizational Meeting 2006
<b>SUPERINTENDENT</b>			
Ronald W. Matter	8/1/01 – 7/31/2006 (A)	\$20,000	8/1/01-7/31/2006

(A) The Ohio Casualty Insurance Company

(B) Nationwide Mutual Insurance Company

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**INDEX OF FUNDS AND ACCOUNT GROUPS**

**GOVERNMENTAL FUND TYPE:**

**General Fund Type:**

General Fund

**Special Revenue Fund Type:**

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

**Debt Service Fund Type:**

Bond Retirement Fund

**Capital Projects Fund Type:**

Permanent Improvement Fund  
SchoolNet Fund

**FIDUCIARY FUND TYPE:**

**Trust and Agency Fund Types:**

**Nonexpendable Trust Fund:**

High School Student Council Scholarship Fund

**Agency Fund:**

Student Managed Activity Funds



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District ("District"), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 3, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-For State and Local Governments*, as of and for the year ended June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2004 on our consideration of the Northwood Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Weber O'Brien Ltd.*

December 7, 2004

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2004 are as follows:

In total, net assets decreased \$71,084.

General revenues accounted for \$8,903,108, or 94 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$589,513 or 6 percent of total revenues of \$9,492,621.

The District's major funds included the General Fund and the Permanent Improvement Fund. The General Fund had \$8,357,811 in revenues and other financing sources and \$8,522,531 in expenditures and other financing uses. The General Fund's fund balance decreased \$164,720 from the prior fiscal year. The Permanent Improvement Fund had \$295,791 in revenues and other financing sources and \$738,673 in expenditures. The Permanent Improvement Fund's fund balance decreased \$442,882 from the prior fiscal year.

The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Permanent Improvement Fund are the only two major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Permanent Improvement Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2004</b>
<u>Assets:</u>	
Current and Other Assets	\$6,126,465
Capital Assets, Net	3,972,415
Total Assets	10,098,880
<u>Liabilities:</u>	
Current and Other Liabilities	5,788,914
Long-Term Liabilities	3,181,242
Total Liabilities	8,970,156
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,477,816
Restricted	336,961
Unrestricted	(686,053)
Total	\$1,128,724

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<b>2004</b>
<u>Revenues:</u>	
<u>Program Revenues:</u>	
Charges for Services and Sales	\$325,883
Operating Grants, Contributions and Interest	263,630
Total Program Revenues	589,513
<u>General Revenues:</u>	
Property Taxes	5,362,525
Grants and Entitlements	3,235,582
Gifts and Donations	10,450
Investment Earnings	11,783
Miscellaneous	282,768
Total General Revenues	8,903,108
Total Revenues	9,492,621

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

<u>Expenses:</u>	
Instruction	5,169,769
Support Services:	
Pupils	337,428
Instructional Staff	708,834
Board of Education	14,581
Administration	785,298
Fiscal	293,455
Operation and Maintenance of Plant	859,554
Pupil Transportation	325,575
Central	477
Non-Instructional	326,907
Extracurricular Activities	298,873
Capital Outlay	300,317
Interest and Fiscal Charges	142,637
Total Expenses	<u>9,563,705</u>
Increase in Net Assets	<u>(\$71,084)</u>

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Instruction	\$5,169,769	\$4,887,488
Support Services:		
Pupils	337,428	332,303
Instructional Staff	708,834	702,913
Board of Education	14,581	14,581
Administration	785,298	785,298
Fiscal	293,455	293,455
Operation and Maintenance of Plant	859,554	859,554
Pupil Transportation	325,575	325,575
Central	477	477
Non-Instructional	326,907	147,880
Extracurricular Activities	298,873	181,714
Capital Outlay	300,317	300,317
Interest and Fiscal Charges	142,637	142,637
Total Expenses	<u>\$9,563,705</u>	<u>\$8,974,192</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Approximately 95 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 94 percent. The remaining 6 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Permanent Improvement Fund. Total governmental funds had revenues of \$9,595,478 and expenditures of \$10,233,428. The net negative change of \$637,950 in fund balance for the year indicates that the District had difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,570,367 while actual expenditures were \$8,429,330. The \$141,037 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2004, the District had \$3,972,415 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see notes to the basic financial statements.

**Debt**

At June 30, 2004, the District's long-term debt obligations, which include general obligation bonds payable, notes payable, and loans payable were \$2,052,000.

The bonds payable were issued for a twenty-year period, with final maturity on December 1, 2013. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2004, the District's overall legal debt margin was \$9,753,027, with an un-voted debt margin of \$125,167.

For further information regarding the District's debt, see the notes to the basic financial statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Northwood is a small rural community of 6,000 people in Northwest Ohio. It has a number of small and medium-sized businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 60 percent of district revenue sources are from local funds, 36 percent from state funds and the remaining 4 percent is from federal funds. The total expenditure per pupil was calculated at \$8,213.

Over the past several years, the District has remained in a good financial position. In November 2002, the District passed a continuing operating levy to generate \$585,000 annually. On November 2, 2004, voters approved a new 3.9 mill continuing operating levy. These levies provide a source of funds for the financial operations and stability of the district. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Patricia Weber, Treasurer, Northwood Local School District, 600 Lemoyne Road, Northwood, Ohio 43619.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Net Assets  
June 30, 2004**

		<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	656,790
Materials and Supplies Inventory		5,973
Accounts Receivable		1,030
Intergovernmental Receivable		11,886
Taxes Receivable		5,450,786
Capital Assets:		
Depreciable Capital Assets, net		3,512,451
Land		193,339
Construction in Progress		<u>266,625</u>
Total Assets		<u><u>10,098,880</u></u>
<b>LIABILITIES:</b>		
Accounts Payable		72,545
Accrued Wages and Benefits		771,934
Contracts Payable		103,209
Intergovernmental Payable		182,945
Matured Compensated Absences Payable		14,884
Deferred Revenue		4,643,397
Long-Term Liabilities:		
Due Within One Year		354,284
Due in More Than One Year		<u>2,826,958</u>
Total Liabilities		<u><u>8,970,156</u></u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		1,477,816
Restricted for Debt Service		116,863
Restricted for Capital Outlay		120,813
Restricted for Other Purposes		99,285
Unrestricted (Deficit)		<u>(686,053)</u>
Total Net Assets	\$	<u><u>1,128,724</u></u>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,370,603	\$ 33,555	\$ 95,578	\$ (4,241,470)
Special	692,833		153,148	(539,685)
Vocational	48,505			(48,505)
Other	57,828			(57,828)
Support Services:				
Pupils	337,428		5,125	(332,303)
Instructional Staff	708,834		5,921	(702,913)
Board of Education	14,581			(14,581)
Administration	785,298			(785,298)
Fiscal	293,455			(293,455)
Operation and Maintenance of Plant	859,554			(859,554)
Pupil Transportation	325,575			(325,575)
Central	477			(477)
Operation of Non-Instructional Services	326,907	175,169	3,858	(147,880)
Extracurricular Activities	298,873	117,159		(181,714)
Capital Outlay	300,317			(300,317)
Debt Service:				
Interest and Fiscal Charges	142,637			(142,637)
Totals	\$ <u>9,563,705</u>	\$ <u>325,883</u>	\$ <u>263,630</u>	<u>(8,974,192)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	4,904,324
Property Taxes, Levied for Capital Outlay	228,145
Property Taxes, Levied for Debt Service	230,056
Grants and Entitlements Not Restricted to Specific Programs	3,235,582
Gifts and Donations	10,450
Investment Earnings	11,783
Miscellaneous	282,768
Total General Revenues	<u>8,903,108</u>
Change in Net Assets	(71,084)
Net Assets Beginning of Year	1,199,808
Net Assets End of Year	\$ <u>1,128,724</u>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2004**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 249,716	\$ 184,061	\$ 223,013	\$ 656,790
Materials and Supplies Inventory			5,973	5,973
Accounts Receivable	1,030			1,030
Intergovernmental Receivable			11,886	11,886
Taxes Receivable	5,007,601	230,978	212,207	5,450,786
<b>Total Assets</b>	<b>\$ 5,258,347</b>	<b>\$ 415,039</b>	<b>\$ 453,079</b>	<b>\$ 6,126,465</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	62,826		9,719	72,545
Accrued Wages and Benefits	727,080		44,854	771,934
Contracts Payable		103,209		103,209
Intergovernmental Payable	117,066		1,112	118,178
Matured Compensated Absences Payable	14,884			14,884
Deferred Revenue	4,519,817	205,220	195,572	4,920,609
	<b>5,441,673</b>	<b>308,429</b>	<b>251,257</b>	<b>6,001,359</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	24,359	149,832	12,176	186,367
Reserved for Property Taxes	487,784	25,758	25,353	538,895
Unreserved, Undesignated, Reported in:				
General Fund	(695,469)			(695,469)
Special Revenue Funds			78,391	78,391
Debt Service Funds			82,586	82,586
Capital Projects Funds		(68,980)	3,316	(65,664)
<b>Total Fund Balances</b>	<b>(183,326)</b>	<b>106,610</b>	<b>201,822</b>	<b>125,106</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,258,347</b>	<b>\$ 415,039</b>	<b>\$ 453,079</b>	<b>\$ 6,126,465</b>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2004**

Total Governmental Fund Balances	\$	125,106
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		3,972,415
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		277,212
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(64,767)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(2,052,000)	
Capital Leases Payable	(442,599)	
Compensated Absences Payable	(686,643)	
		(3,181,242)
Net Assets of Governmental Activities	\$	1,128,724

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 4,922,625	\$ 228,300	\$ 229,617	\$ 5,380,542
Intergovernmental	3,096,559	11,991	405,302	3,513,852
Interest	11,765		18	11,783
Tuition and Fees	9,642		21,568	31,210
Rent	2,345			2,345
Extracurricular Activities			117,159	117,159
Gifts and Donations	1,000		9,450	10,450
Customer Sales and Services			175,169	175,169
Miscellaneous	243,415		39,093	282,508
<b>Total Revenues</b>	<b>8,287,351</b>	<b>240,291</b>	<b>997,376</b>	<b>9,525,018</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,200,020		249,978	4,449,998
Special	498,771		162,293	661,064
Vocational	52,942			52,942
Other	57,828			57,828
Support Services:				
Pupils	321,397		4,734	326,131
Instructional Staff	670,062		15,785	685,847
Board of Education	14,476			14,476
Administration	749,044		5,613	754,657
Fiscal	279,254	3,201	4,966	287,421
Operation and Maintenance of Plant	803,211			803,211
Pupil Transportation	330,222			330,222
Central			477	477
Operation of Non-Instructional Services	163		319,610	319,773
Extracurricular Activities	216,965		96,866	313,831
Capital Outlay		659,312		659,312
Debt Service:				
Principal	86,601		287,000	373,601
Interest			142,637	142,637
<b>Total Expenditures</b>	<b>8,280,956</b>	<b>662,513</b>	<b>1,289,959</b>	<b>10,233,428</b>
Excess of Revenues Over (Under) Expenditures	<u>6,395</u>	<u>(422,222)</u>	<u>(292,583)</u>	<u>(708,410)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In		55,500	262,235	317,735
Proceeds from Sale of Fixed Assets	260			260
Inception of Capital Lease	70,200			70,200
Transfers Out	(241,575)	(76,160)		(317,735)
<b>Total Other Financing Sources and Uses</b>	<b>(171,115)</b>	<b>(20,660)</b>	<b>262,235</b>	<b>70,460</b>
<b>Net Change in Fund Balances</b>	<b>(164,720)</b>	<b>(442,882)</b>	<b>(30,348)</b>	<b>(637,950)</b>
Fund Balance (Deficit) at Beginning of Year	(18,606)	549,492	232,170	763,056
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ (183,326)</b>	<b>\$ 106,610</b>	<b>\$ 201,822</b>	<b>\$ 125,106</b>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ (637,950)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	600,521	
Depreciation	<u>(236,682)</u>	
		363,839

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(8,502)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(14,640)	
Delinquent Property Taxes	<u>(18,017)</u>	
		(32,657)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		373,601
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Inception of Capital Lease		(70,200)
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Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(9,938)	
Compensated Absences Payable	<u>(49,277)</u>	
		<u>(59,215)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>(71,084)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>44,423</u>	\$ <u>24,995</u>
Total Assets	<u>44,423</u>	<u>24,995</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies	<u>-</u>	<u>24,995</u>
Total Liabilities	<u>-</u>	<u>24,995</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>44,423</u>	<u>-</u>
Total Net Assets	<u>\$ <u>44,423</u></u>	<u>\$ <u>-</u></u>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2004**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Interest	\$ 404
Miscellaneous	<u>3,289</u>
Total Additions	<u>3,693</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>4,250</u>
Total Deductions	<u>4,250</u>
Change in Net Assets	(557)
Net Assets Beginning of Year	<u>44,980</u>
Net Assets End of Year	<u>\$ 44,423</u>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Northwood Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northwood Local School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 47 non-certified and 68 certified full-time teaching personnel who provide services to 1,028 students and other community members.

**The Reporting Entity**

The reporting entity is defined by the Government Accounting Standards Board as the primary government, component units, and other organizations that are included to insure that the financial statements of the entity are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any 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 15 and 16 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Permanent Improvement Fund are the District's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds and private purpose trust funds.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**C. Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$11,765 and \$18 to other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition or construction of capital assets and textbooks.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves and Designations**

The 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 and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**O. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. At June 30, 2004, there were no interfund balances.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**P. 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.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements present the District's programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

**B. Restatement of Fund Balance**

The restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

	<b>General</b>	<b>Permanent Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Activities</b>
Fund Balance June 30, 2003	(\$27,827)	\$549,492	\$220,532	\$742,197
GASB Statement 34 Adjustment				
Change in Fund Structure – Expendable Trust			10,963	10,963
Change in Fund Structure - Enterprise			(2,497)	(2,497)
Interpretation 6 Adjustments:				
Compensated Absences Payable	9,221		3,172	12,393
Adjusted Fund Balance	(\$18,606)	\$549,492	\$232,170	763,056
GASB 34 Adjustments:				
Deferred Revenue				309,869
Capital Assets				3,617,078
Long-Term Liabilities				(3,490,195)
Governmental Activities Net Assets at June 30, 2003				\$1,199,808

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim 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 District's deposits is provided by the Federal Deposit Insurance Corporation, 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;

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made 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 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 corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**A. Deposits**

At the year-end, the carrying amount of the District's deposits was \$158,856 and the bank balance was \$236,526. Of the bank balance, \$233,595 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.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**B. Investments**

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at the year end. Category 1 includes investments that are insured and 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 for which the securities 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.

Investments as of June 30, 2004 were as follows:

	<b>Carrying Value</b>	<b>Fair Value</b>
STAR Ohio	\$567,221	\$567,221

The State Treasurer's Investment Pool (STAR Ohio) is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

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

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

	<b>Cash and Cash Equivalents Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$726,208	
Less Cash on Hand	(115)	
Investments:		
STAR Ohio	(567,221)	\$567,221
GASB Statement No. 3	\$158,872	\$567,221

Cash and Cash Equivalents per GASB Statement No. 9 are presented on the financial statements as follows:

	<b>Cash and Cash Equivalents</b>
Governmental Activities	\$656,790
Private Purpose Trust	44,423
Agency Fund	24,995
Total	\$726,208

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**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable 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 was recognized as revenue.

The amount available as an advance at June 30, 2004, was \$487,784 in the General Fund, \$25,353 in the Debt Service Fund, \$25,758 in the Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$376,737 in the General Fund, \$18,744 in the Debt Service Fund, and \$18,957 in the Capital Projects Fund.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$100,214,250	79%	\$64,001,980	51%
Industrial/Commercial			37,465,940	30%
Public Utility	4,082,840	3%	4,093,200	3%
Tangible Personal	22,311,975	18%	19,605,846	16%
Total Assessed Value	<u>\$126,609,065</u>	<u>100%</u>	<u>\$125,166,966</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$70.10		\$71.10	

**6. RECEIVABLES**

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities:	
Miscellaneous State Grants	\$1,576
Title I	8,504
Title II-A	214
Miscellaneous Federal	1,592
Total Intergovernmental Receivables	<u>\$11,886</u>

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<b>Restated Balance at 6/30/03</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/04</b>
Governmental Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$6,737,813	\$0	\$0	\$6,737,813
Furniture, Fixtures, and Equipment	1,385,196	333,896	31,381	1,687,711
Vehicles	503,468	0	0	503,468
Total Depreciable Capital Assets	<u>8,626,477</u>	<u>333,896</u>	<u>31,381</u>	<u>8,928,992</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	3,867,164	115,263	0	3,982,427
Furniture, Fixtures, and Equipment	920,337	117,764	22,879	1,015,222
Vehicles	415,237	3,655	0	418,892
Total Accumulated Depreciation	<u>5,202,738</u>	<u>236,682</u>	<u>22,879</u>	<u>5,416,541</u>
Depreciable Capital Assets, Net	3,423,739	97,214	8,502	3,512,451
Land	193,339	0	0	193,339
Construction in Progress	0	266,625	0	266,625
Governmental Activities Capital Assets, Net	<u>\$3,617,078</u>	<u>\$363,839</u>	<u>\$8,502</u>	<u>\$3,972,415</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$76,577
Special	155
Vocational	563
Support Services:	
Pupil	1,773
Instructional Staff	1,373
Administration	8,715
Fiscal	3,636
Operation and Maintenance of Plant	10,184
Pupil Transportation	372
Non-Instructional Services	3,789
Extracurricular	1,759
Capital Outlay	127,786
Total Depreciation Expense	\$236,682

The District restated Capital Assets at the beginning of the year as follows:

Balance at June 30, 2003	\$9,030,734
Restatement	(210,918)
Balance, Restated	\$8,819,816

**8. RISK MANAGEMENT**

**A. 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 2004, the District contracted with Indiana Insurance for property and general liability insurance with a \$31,455,498 limit. There is a \$2,500 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance covers the boiler and machinery with a \$2,500 deductible.

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

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

Settled claims have not exceeded this commercial coverage in the past five years. There have been no significant reductions in insurance coverage from last year.

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**B. Workers' Compensation**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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.

**C. Employee Medical Benefits**

As of August 10, 1982, the District has contracted with the Wood County Insurance Consortium (Note 16) 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 2004, the District's and the employees' premiums were \$1,030 and \$100 for the indemnity plan family coverage, \$800 and \$25 for the Preferred Provider Option plan, and \$385 for the single indemnity plan with a co-pay of \$40, and \$300 for the single Preferred Provider Option plan with a co-pay of \$10. Dental insurance is also provided by the District to all employees through Wood County Insurance Consortium. For fiscal year 2004, the District's cost was a composite rate of \$67 per month per employee. No cap on the dental premium is in place for classified employees for 2004. A co-pay of \$7.50 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.

**9. DEFINED PENSION BENEFIT PLANS**

**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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The 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.

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Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$161,088, \$166,583, and \$153,718, respectively; 55 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$73,608.

**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 administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13.0 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$537,171, \$515,339, and \$501,398, respectively; 84 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$88,508.

**10. POSTEMPLOYMENT BENEFITS**

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

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, and June 30, 2003, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets

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available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

The District contributed \$72,600 to fund postemployment benefits for the fiscal year ended June 30, 2004.

**11. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 25 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 75 days if the individual has accumulated 235 sick days, or twenty-five percent of the accumulated sick leave if the employee has less than 235 accumulated sick days.

**12. CAPITALIZED LEASES DISCLOSURE**

In the current and prior years, the District has entered into capitalized leases for the acquisition of a building and computers.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded. Principal payments in the 2004 fiscal year totaled \$86,601. This amount is reflected as debt service principal retirement in the special revenue funds.

The following is an analysis of the equipment under capital lease as of June 30, 2004:

<b>Capital Assets</b>	
Modular Building, Carrying Value	\$459,000
Computers, Carrying Value	70,200

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The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

	<b>General Long Term Obligations</b>	
	<b>Year Ending</b>	<b>Amount</b>
	2005	\$67,473
	2006	101,900
	2007	82,924
	2008	77,431
	2009	77,547
	2010	75,908
	2011	16,349
Total Minimum Lease Payments		499,532
Less: Amount Representing Interest		(56,933)
Present Value of Future Minimum Lease Payments		\$442,599

**13. LONG-TERM OBLIGATIONS**

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 Government –Wide Financial Statements. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

The following is a description of the District bonds outstanding as of June 30, 2004:

Description	Interest Rates	Issue Date	Maturity Date	Original Amount	Retired In 2004	Outstanding 06/30/04
General Obligation Bonds	5.3850	04/01/94	12/01/13	2,385,000	\$130,000	\$1,480,000
School Bus Bonds	5.5692	05/01/96	04/01/05	249,000	32,000	32,000
Permanent Improvement	5.6000	11/01/99	12/01/04	335,000	70,000	75,000
Energy Bond	5.8500	09/01/00	12/01/10	300,000	25,000	230,000
Energy Bond	5.7000	11/01/99	12/01/09	350,000	30,000	235,000
Totals				\$3,619,000	\$287,000	\$2,052,000

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
2005	\$302,000	\$111,744	\$413,744
2006	215,000	96,518	311,518
2007	225,000	84,236	309,236
2008	92,785	232,970	325,755
2009	92,215	234,211	326,426
2010-2014	1,125,000	168,101	1,293,101
Total	\$2,052,000	\$927,780	\$2,979,780

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During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government – Wide Financial Statements:

	Balance at 06/30/03	Increase	Decrease	Balance at 06/30/04	Amount Due In One Year
General Obligation Bonds	\$1,610,000	\$0	\$130,000	\$1,480,000	\$135,000
School Bus Bonds	64,000	0	32,000	32,000	32,000
Permanent Improvement Bonds	145,000	0	70,000	75,000	75,000
Energy Bonds	255,000	0	25,000	230,000	25,000
Energy Bonds	265,000	0	30,000	235,000	35,000
Capital Leases Payable	459,000	70,200	86,601	442,599	52,284
Intergovernmental Payable	54,829	0	54,829	0	0
Compensated Absences	637,366	686,643	637,366	686,643	0
Total Long-Term Obligations	<u>\$3,490,195</u>	<u>\$756,843</u>	<u>\$1,065,796</u>	<u>\$3,181,242</u>	<u>\$354,284</u>

Total expenditures for interest for the above debt for the period ended June 30, 2004 was \$142,637.

**Legal Debt Margin:**

The Ohio Revised Code provides that voted net general obligation debt of a District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2004 are a voted debt margin of \$9,753,027 and an unvoted debt margin of \$125,167.

**14. 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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2003	(\$115,000)	
Current Year Set-aside Requirement	125,966	\$125,966
Qualifying Disbursements	(141,113)	(687,012)
Total	<u>(\$130,147)</u>	<u>(\$561,046)</u>
Cash Balance Carried Forward to FY 2005	<u>(\$130,147)</u>	

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

**15. 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

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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 2004, the District paid \$34,967 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.

**16. GROUP 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. SCHOOL FUNDING DECISION**

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

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

**18. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**19. SIGNIFICANT SUBSEQUENT EVENTS**

On July 28, 2004, the District retired the \$2,385,000 note issue and reissued another note in the amount of \$1,005,000 with a maturity date of November 1, 2013.

On November 2, 2004, voters approved a new 3.9 mill continuing operating levy.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 4,881,613	\$ 4,881,613	\$ 4,811,578	\$ (70,035)
Intergovernmental	3,150,209	3,150,209	3,096,559	(53,650)
Interest	18,800	18,800	11,765	(7,035)
Tuition and Fees	10,000	10,000	9,642	(358)
Rent	5,200	5,200	2,345	(2,855)
Gifts and Donations	2,500	2,500	1,000	(1,500)
Miscellaneous	240,005	240,005	236,093	(3,912)
Total Revenues	<u>8,308,327</u>	<u>8,308,327</u>	<u>8,168,982</u>	<u>(139,345)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,286,652	4,232,738	4,204,616	28,122
Special	369,243	495,453	495,454	(1)
Vocational	54,779	54,551	52,914	1,637
Other	81,142	64,466	64,466	-
Support Services:				
Pupils	320,603	317,096	316,963	133
Instructional Staff	642,672	676,903	674,709	2,194
Board of Education	24,053	16,772	14,274	2,498
Administration	738,159	746,829	743,707	3,122
Fiscal	276,686	278,799	274,569	4,230
Operation and Maintenance of Plant	795,920	819,718	803,533	16,185
Pupil Transportation	339,713	337,271	331,277	5,994
Operation of Non-Instructional Services	450	450	196	254
Extracurricular Activities	204,887	213,686	211,077	2,609
Total Expenditures	<u>8,134,959</u>	<u>8,254,732</u>	<u>8,187,755</u>	<u>66,977</u>
Excess of Revenues Over (Under) Expenditures	<u>173,368</u>	<u>53,595</u>	<u>(18,773)</u>	<u>(72,368)</u>
Other Financing Sources and Uses:				
Proceeds from Sale of Fixed Assets	2,500	2,500	260	(2,240)
Refund of Prior Year Expenditures	24,000	24,000	6,971	(17,029)
Transfers Out	-	(315,635)	(241,575)	74,060
Total Other Financing Sources and Uses	<u>26,500</u>	<u>(289,135)</u>	<u>(234,344)</u>	<u>54,791</u>
Net Change in Fund Balances	199,868	(235,540)	(253,117)	(17,577)
Fund Balance (Deficit) at Beginning of Year	380,874	380,874	380,874	-
Prior Year Encumbrances Appropriated	37,098	37,098	37,098	-
Fund Balance (Deficit) at End of Year	<u>\$ 617,840</u>	<u>\$ 182,432</u>	<u>\$ 164,855</u>	<u>\$ (17,577)</u>

See Accompanying Notes to the Basic Financial Statements

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Revenues, and Changes  
In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
GENERAL FUND, (Continued)  
For the Fiscal Year Ended June 30, 2004**

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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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 (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Net Change in Fund Balance  
General Fund**

GAAP Basis	(\$164,720)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	377,416
Accrued FY 2004, Not Yet Received in Cash	(565,985)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(813,998)
Accrued FY 2004, Not Yet Paid in Cash	999,027
Encumbrances Outstanding at Year End (Budget Basis)	(84,857)
Budget Basis	(\$253,117)



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 the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District as of and for the year ended June 30, 2004, which collectively comprise the Northwood Local School District's basic financial statements, and have issued our report thereon dated December 7, 2004. 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 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 opinions 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. However, we noted an other matter involving the internal control over financial reporting that we have reported to management of the Northwood Local School District in a separate letter dated December 7, 2004.

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

Weber O'Brien Ltd.

December 7, 2004



**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2005**