

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

AUDIT REPORT

For the Year Ended June 30, 2015





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwood Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 1, 2016

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**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY
AUDIT REPORT
For the Year Ending June 30, 2015**

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

INDEPENDENT AUDITORS' REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwood Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwood Local School District, Wood County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*". We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Information

We applied no procedures to the Management's Discussion & Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 18, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The Management's Discussion and Analysis of the Northwood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- The total net cash position of the District increased \$27,112,367 from fiscal year 2014 due to the issuance of debt to finance a school facilities improvement project.
- General cash receipts accounted for \$38,823,941, or 94.33% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$2,332,320 or 5.67% of total governmental activities cash receipts of \$41,156,261.
- The District had \$14,043,894 in cash disbursements related to governmental activities; \$2,332,320 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$38,823,941 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund, and classroom facilities fund. The general fund had \$10,914,739 in cash receipts and other financing sources and \$10,919,561 in cash disbursements and other financing uses. During fiscal year 2015, the general fund cash balance decreased \$4,822 from \$4,705,847 to \$4,701,025.
- The building fund had \$7,072,275 in cash receipts and other financing sources and \$605,786 in cash disbursements. During fiscal year 2015, the building fund cash balance increased \$6,466,489 from \$0 to \$6,466,489.
- The classroom facilities fund had \$21,284,306 in cash receipts and other financing sources and \$1,064,038 in cash disbursements. During fiscal year 2015, the classroom facilities fund cash balance increased \$20,220,268 from \$0 to \$20,220,268.

Using the Cash Basis Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during fiscal year 2015?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, building fund, and the classroom facilities fund.

Governmental Funds

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

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-17 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. These activities are presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and changes in fiduciary net position - cash basis on pages 18 and 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-50 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 51 through 55 of this report.

The District as a Whole

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

The table below provides a summary of the District's net cash position at June 30, 2015 and 2014.

	Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 32,835,965	\$ 5,723,598
Total assets	<u>\$ 32,835,965</u>	<u>\$ 5,723,598</u>
<u>Net cash position</u>		
Restricted	\$ 28,134,988	\$ 1,023,621
Unrestricted	<u>4,700,977</u>	<u>4,699,977</u>
Total net cash position	<u>\$ 32,835,965</u>	<u>\$ 5,723,598</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

At June 30, 2015, the District's net cash position was \$32,835,965. A portion of this amount, \$28,134,988, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,700,977 may be used to meet the District's ongoing obligations to the students and creditors. The increase in net cash position is due to the issuance of debt to finance a school facilities improvement project. The following table shows the change in net cash position for fiscal years 2015 and 2014.

	Change in Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Cash receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 1,353,325	\$ 1,158,741
Operating grants and contributions	978,995	1,001,495
General cash receipts:		
Property taxes	5,612,077	5,712,568
Payment in lieu of taxes	545,990	259,917
Income taxes	6,178	-
Grants and entitlements	5,034,487	3,445,936
Premium on debt issuance	750,154	-
Debt issuance	26,665,000	-
Investment earnings	137,195	29,545
Miscellaneous	<u>72,860</u>	<u>87,841</u>
Total cash receipts	<u>41,156,261</u>	<u>11,696,043</u>

- Continued

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Cash disbursements:

Current:

Instruction:		
Regular	5,056,762	4,834,673
Special	1,569,507	1,409,175
Vocational	193,122	184,427
Other	6,717	4,544
Support services:		
Pupil	366,901	309,908
Instructional staff	406,750	441,305
Board of education	17,343	16,743
Administration	920,903	845,344
Fiscal	464,369	387,363
Business	3,450	80
Operations and maintenance	910,813	913,549
Pupil transportation	450,373	514,918
Central	191,232	244,567
Food service operations	423,347	431,364
Extracurricular activities	519,777	429,571
Facilities acquisition and construction	1,228,737	48,963
Debt service:		
Principal retirement	35,000	125,000
Interest and fiscal charges	738,381	3,250
Debt issuance cost	540,410	-
Total cash disbursements	<u>14,043,894</u>	<u>11,144,744</u>
Change in net cash position	27,112,367	551,299
Net cash position at beginning of year	<u>5,723,598</u>	<u>5,172,299</u>
Net cash position at end of year	<u>\$ 32,835,965</u>	<u>\$ 5,723,598</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$27,112,367. Total governmental cash disbursements of \$14,043,894 were offset by program cash receipts of \$2,332,320 and general cash receipts of \$38,823,941. Program cash receipts supported 16.61% of the total governmental disbursements in fiscal year 2015, compared to 19.38% in the previous year. The primary factor for the decrease was due to an increase in regular instruction and special instruction disbursements. The main source of the District's operating grants and contributions is federal grants.

The primary sources of receipts for governmental activities are derived from property taxes and unrestricted grants and entitlements. These sources represent 25.88% of total governmental cash receipts. The issuance of debt during fiscal year 2015 was a major increase to cash receipts making up 64.79% of the total governmental cash receipts. The decrease in property taxes is mostly due to a higher number of settlements on delinquent accounts in the prior year, while the increase in unrestricted grants and entitlements is a result of increased State Foundation funding. Payments in lieu of taxes also increased as collections began on a new agreement with a local company.

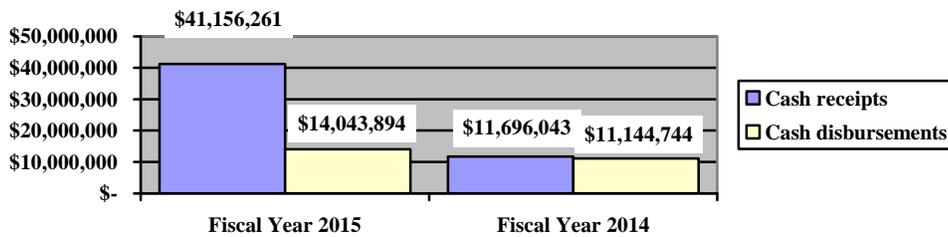
**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The largest cash disbursement of the District is for instructional programs. Instruction disbursements totaled \$6,826,108 or 48.61% of total governmental disbursements for fiscal year 2015. Overall, cash disbursements for fiscal year 2015 were in line with the prior year.

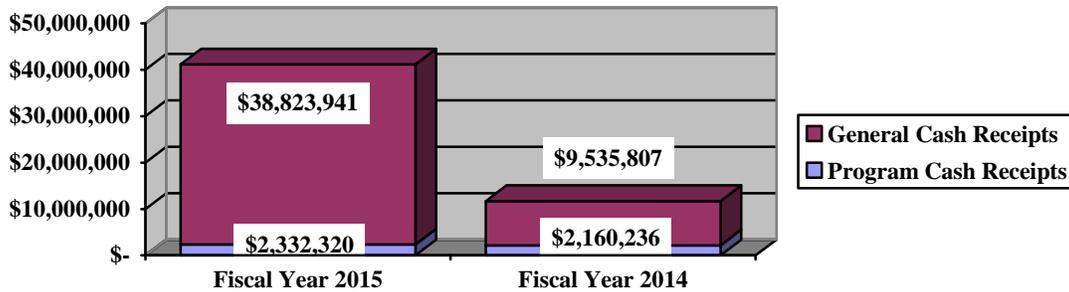
The graph below presents the District's cash receipts and cash disbursements for fiscal years 2015 and 2014.

Governmental Activities - Cash Receipts and Cash Disbursements



The graph below presents the District's governmental activities cash receipts for the fiscal years 2015 and 2014.

Governmental Activities - General and Program Cash Receipts



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Governmental Activities				
Program cash disbursements				
Instruction:				
Regular	\$ 5,056,762	\$ 3,964,306	\$ 4,834,673	\$ 3,882,244
Special	1,569,507	958,964	1,409,175	772,988
Vocational	193,122	182,699	184,427	184,377
Other	6,717	6,717	4,544	4,544
Support services:				
Pupil	366,901	366,901	309,908	309,908
Instructional staff	406,750	400,983	441,305	419,289
Board of education	17,343	17,343	16,743	16,743
Administration	920,903	919,593	845,344	842,703
Fiscal	464,369	464,369	387,363	387,363
Business	3,450	3,450	80	80
Operations and maintenance	910,813	910,813	913,549	913,549
Pupil transportation	450,373	439,617	514,918	502,442
Central	191,232	189,232	244,567	242,007
Food service operations	423,347	3,469	431,364	41,571
Other non-instructional services:				
Extracurricular activities	519,777	340,590	429,571	287,487
Facilities acquisition and construction	1,228,737	1,228,737	48,963	48,963
Debt service:				
Principal retirement	35,000	35,000	125,000	125,000
Interest and fiscal charges	738,381	738,381	3,250	3,250
Debt issuance cost	<u>540,410</u>	<u>540,410</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>\$ 14,043,894</u>	<u>\$ 11,711,574</u>	<u>\$ 11,144,744</u>	<u>\$ 8,984,508</u>

The dependence upon general cash receipts for governmental activities is apparent; with 83.39% and 80.62% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2015 and 2014, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund cash balance of \$32,835,965, which is \$27,112,367 higher than last year's total of \$5,723,598. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	Increase <u>(Decrease)</u>
General	\$ 4,701,025	\$ 4,705,847	\$ (4,822)
Building	6,466,489	-	6,466,489
Classroom facilities	20,220,268	-	20,220,268
Nonmajor governmental	<u>1,448,183</u>	<u>1,017,751</u>	<u>430,432</u>
Total	<u>\$ 32,835,965</u>	<u>\$ 5,723,598</u>	<u>\$ 27,112,367</u>

General Fund

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

	2015 <u>Amount</u>	2014 <u>Amount</u>	Increase <u>(Decrease)</u>
<u>Cash receipts</u>			
Taxes	\$ 5,282,390	\$ 5,516,180	\$ (233,790)
Tuition	1,027,786	857,092	170,694
Intergovernmental	4,042,103	3,697,536	344,567
Other revenues	<u>205,740</u>	<u>253,102</u>	<u>(47,362)</u>
Total	<u>\$ 10,558,019</u>	<u>\$ 10,323,910</u>	<u>\$ 234,109</u>
<u>Cash disbursements</u>			
Instruction	\$ 6,485,462	\$ 6,031,522	\$ 453,940
Support services	3,701,181	3,650,107	51,074
Extracurricular activities	340,623	277,220	63,403
Facilities acquisition and construction	<u>18,092</u>	<u>20,529</u>	<u>(2,437)</u>
Total	<u>\$ 10,545,358</u>	<u>\$ 9,979,378</u>	<u>\$ 565,980</u>

The increased tuition receipts were primarily due to an increase in open enrollment receipts, which resulted from higher enrollment from students living outside the District. Intergovernmental receipts also increased, which was primarily a result of State Foundation aid.

Most of the increased instruction disbursements came from additional spending related to the District's special learning programs for handicapped students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Building Fund

The District's building fund is reported as a major fund. This fund accounts for the accumulation of resources to be used for construction and improvement of school facilities. The building fund had \$7,072,275 in cash receipts and other financing sources and \$605,786 in cash disbursements. During fiscal year 2015, the building fund cash balance increased from \$0 to \$6,466,489.

Classroom Facilities Fund

The District's classroom facilities fund is reported as a major fund. This fund accounts for the accumulation of resources to be used for construction and improvement of school facilities. The classroom facilities fund had \$21,284,306 in cash receipts and other financing sources and \$1,064,038 in cash disbursements. During fiscal year 2015, the classroom facilities fund cash balance increased from \$0 to \$20,220,268.

General Fund Budgeting Highlights

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

For the general fund, final budgetary basis receipts and other financing sources were \$584,039 above original budget estimates of \$10,436,980. An increase in State Foundation funding resulted in an increase of \$178,184 from the original to final budget for intergovernmental - state receipts. The original budget tuition receipts of \$783,396 were increased to \$1,042,881 in the final budget to account for higher than expected open enrollment receipts. The actual budgetary basis receipts and other financing sources of \$10,878,627 were exceeded by the final budget estimate of \$11,021,019. The original budgetary basis disbursements of \$11,521,773 were increased to \$12,178,032 in the final budget. The actual budgetary basis disbursements were \$10,956,879, or \$1,221,153 less than the final budgeted amount as the District realized savings in nearly all general fund programs.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$1,228,737 during fiscal year 2015.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2015.

Outstanding Debt, at Year End

	Governmental Activities <u>2015</u>
General obligation bonds	\$ 14,482,458
Certification of participation	<u>12,180,000</u>
Total	<u>\$ 26,662,458</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Current Issues

Cash balances are reflected to be in the black for the life of the forecast, however, deficit spending is projected to begin in fiscal year 2016. Fiscal year 2016 does not presently include the Biannium budget increase for the District of approximately \$300,000. That increase in revenue stream will likely afford the district growth in the carryover for fiscal year 2016 rather than deficit spending. Income tax collections were significantly low for the 1st collections in April 2015. Slow increases are expected in fiscal year 2016.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash, cash equivalents, and investments.	\$ 32,835,965
 Total assets.	 <u>\$ 32,835,965</u>
 Net cash position:	
Restricted for:	
Capital projects	\$ 27,808,759
Debt service.	222,201
Locally funded programs	9,979
State funded programs.	7,200
Student activities	34,045
Other purposes	52,804
Unrestricted	<u>4,700,977</u>
 Total net cash position.	 <u>\$ 32,835,965</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,056,762	\$ 1,065,656	\$ 26,800	\$ (3,964,306)
Special	1,569,507	25,660	584,883	(958,964)
Vocational	193,122	-	10,423	(182,699)
Other	6,717	-	-	(6,717)
Support services:				
Pupil	366,901	-	-	(366,901)
Instructional staff	406,750	-	5,767	(400,983)
Board of education	17,343	-	-	(17,343)
Administration	920,903	-	1,310	(919,593)
Fiscal	464,369	-	-	(464,369)
Business	3,450	-	-	(3,450)
Operations and maintenance	910,813	-	-	(910,813)
Pupil transportation	450,373	-	10,756	(439,617)
Central	191,232	-	2,000	(189,232)
Operation of non-instructional services:				
Food service operations	423,347	131,235	288,643	(3,469)
Extracurricular activities	519,777	130,774	48,413	(340,590)
Facilities acquisition and construction	1,228,737	-	-	(1,228,737)
Debt service:				
Principal retirement	35,000	-	-	(35,000)
Interest and fiscal charges	738,381	-	-	(738,381)
Debt issuance costs	540,410	-	-	(540,410)
Total governmental activities	14,043,894	1,353,325	978,995	(11,711,574)
General cash receipts:				
Property taxes levied for:				
General purposes				5,276,212
Debt service				189,437
Permanent improvements				146,428
Payment in lieu of taxes				545,990
Income taxes levied for:				
General purposes				6,178
Grants and entitlements not restricted				
to specific programs				3,787,601
Ohio Schools Facilities Commission Grant				1,246,886
Premium on debt issuance				750,154
Debt issuance				26,665,000
Investment earnings				137,195
Miscellaneous				72,860
Total general cash receipts				38,823,941
Change in net cash position				27,112,367
Net cash position at beginning of year				5,723,598
Net cash position at end of year				\$ 32,835,965

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash, cash equivalents, and investments.	\$ 4,701,025	\$ 6,466,489	\$ 20,220,268	\$ 1,448,183	\$ 32,835,965
Total assets	<u>\$ 4,701,025</u>	<u>\$ 6,466,489</u>	<u>\$ 20,220,268</u>	<u>\$ 1,448,183</u>	<u>\$ 32,835,965</u>
Fund cash balances:					
Restricted:					
Debt service	-	-	-	222,201	222,201
Capital improvements	-	6,466,489	20,220,268	1,122,002	27,808,759
Food service operations	-	-	-	52,804	52,804
Other purposes.	-	-	-	17,179	17,179
Extracurricular activities.	-	-	-	34,045	34,045
Committed:					
Future severance payments.	203,402	-	-	-	203,402
Assigned:					
Student instruction	4,618	-	-	-	4,618
Student and staff support.	121,409	-	-	-	121,409
Extracurricular activities	833	-	-	-	833
School supplies	218	-	-	-	218
Educational activities.	45	-	-	-	45
Unassigned (deficit)	<u>4,370,500</u>	<u>-</u>	<u>-</u>	<u>(48)</u>	<u>4,370,452</u>
Total fund cash balances	<u>\$ 4,701,025</u>	<u>\$ 6,466,489</u>	<u>\$ 20,220,268</u>	<u>\$ 1,448,183</u>	<u>\$ 32,835,965</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Property taxes	\$ 5,276,212	\$ -	\$ -	\$ 335,865	\$ 5,612,077
Income taxes	6,178	-	-	-	6,178
Payment in lieu of taxes	40,123	-	-	505,867	545,990
Tuition	1,027,786	-	-	-	1,027,786
Earnings on investments	38,583	24,419	73,451	742	137,195
Charges for services	-	-	-	131,235	131,235
Extracurricular	31,104	-	-	130,774	161,878
Classroom materials and fees	31,226	-	-	-	31,226
Contributions and donations	1,200	-	-	21,735	22,935
Other local revenues	63,504	-	-	38,034	101,538
Intergovernmental - state	3,988,223	-	1,246,886	43,803	5,278,912
Intergovernmental - federal	53,880	-	-	630,277	684,157
Total revenues	10,558,019	24,419	1,320,337	1,838,332	13,741,107
Cash disbursements:					
Current:					
Instruction:					
Regular	5,029,962	-	-	26,800	5,056,762
Special	1,255,661	-	-	313,846	1,569,507
Vocational	193,122	-	-	-	193,122
Other	6,717	-	-	-	6,717
Support services:					
Pupil	366,901	-	-	-	366,901
Instructional staff	404,682	-	-	2,068	406,750
Board of education	17,343	-	-	-	17,343
Administration	919,653	-	-	1,250	920,903
Fiscal	436,804	4,291	18,857	4,417	464,369
Business	3,450	-	-	-	3,450
Operations and maintenance	910,813	-	-	-	910,813
Pupil transportation	450,373	-	-	-	450,373
Central	191,162	-	-	70	191,232
Operation of non-instructional services:					
Food service operations	-	-	-	423,347	423,347
Extracurricular activities	340,623	-	-	179,154	519,777
Facilities acquisition and construction	18,092	61,085	1,045,181	104,379	1,228,737
Debt service:					
Principal retirement	-	-	-	35,000	35,000
Interest and fiscal charges	-	-	-	738,381	738,381
Debt issuance costs	-	540,410	-	-	540,410
Total cash disbursements	10,545,358	605,786	1,064,038	1,828,712	14,043,894
Excess (deficiency) of revenues over (under) expenditures	12,661	(581,367)	256,299	9,620	(302,787)
Other financing sources (uses):					
Premium on debt issuance	-	346,825	-	403,329	750,154
Debt issuance	-	6,701,031	19,963,969	-	26,665,000
Transfers in	-	-	-	7,483	7,483
Transfers (out)	(7,483)	-	-	-	(7,483)
Advances in	-	-	-	10,000	10,000
Advances (out)	(10,000)	-	-	-	(10,000)
Total other financing sources (uses)	(17,483)	7,047,856	19,963,969	420,812	27,415,154
Net change in fund cash balances	(4,822)	6,466,489	20,220,268	430,432	27,112,367
Fund cash balances at beginning of year	4,705,847	-	-	1,017,751	5,723,598
Fund cash balances at end of year	\$ 4,701,025	\$ 6,466,489	\$ 20,220,268	\$ 1,448,183	\$ 32,835,965

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 5,479,450	\$ 5,277,418	\$ 5,276,212	\$ (1,206)
Income taxes	59,646	6,179	6,178	(1)
Payment in lieu of taxes	80,050	80,050	40,123	(39,927)
Tuition	783,396	1,042,881	1,042,585	(296)
Earnings on investments	30,519	42,710	38,583	(4,127)
Classroom materials and fees	25,846	21,148	21,178	30
Other local revenues	46,747	42,398	48,237	5,839
Intergovernmental - state	3,901,503	4,079,687	3,973,424	(106,263)
Intergovernmental - federal	29,823	50,231	53,880	3,649
Total budgetary basis receipts	<u>10,436,980</u>	<u>10,642,702</u>	<u>10,500,400</u>	<u>(142,302)</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,382,559	5,396,027	5,002,760	393,267
Special	1,222,750	1,288,371	1,255,661	32,710
Vocational	204,069	206,221	193,122	13,099
Other	15,248	14,277	6,717	7,560
Support services:				
Pupil	415,087	415,902	366,901	49,001
Instructional staff	430,973	490,613	420,584	70,029
Board of education	32,262	27,489	18,643	8,846
Administration	861,253	877,934	925,045	(47,111)
Fiscal	519,215	536,491	441,177	95,314
Business	3,606	6,600	3,450	3,150
Operations and maintenance	1,114,476	1,200,375	940,827	259,548
Pupil transportation	660,021	646,883	454,536	192,347
Central	273,610	253,823	193,704	60,119
Other operation of non-instructional services	1,545	1,500	-	1,500
Extracurricular activities	333,585	397,323	341,457	55,866
Facilities acquisition and construction	51,514	24,000	18,092	5,908
Total budgetary basis disbursements	<u>11,521,773</u>	<u>11,783,829</u>	<u>10,582,676</u>	<u>1,201,153</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(1,084,793)</u>	<u>(1,141,127)</u>	<u>(82,276)</u>	<u>1,058,851</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	21,515	21,507	(8)
Transfers in	-	82	-	(82)
Transfers (out)	-	(27,483)	(7,483)	20,000
Advances (out)	-	(10,000)	(10,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(15,886)</u>	<u>4,024</u>	<u>19,910</u>
Net change in fund cash balance	(1,084,793)	(1,157,013)	(78,252)	1,078,761
Fund cash balance at beginning of year	4,421,696	4,421,696	4,421,696	-
Prior year encumbrances appropriated	230,081	230,081	230,081	-
Fund cash balance at end of year	<u>\$ 3,566,984</u>	<u>\$ 3,494,764</u>	<u>\$ 4,573,525</u>	<u>\$ 1,078,761</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 82,974	\$ 29,506
Total assets.	\$ 82,974	\$ 29,506
Net cash position:		
Held in trust for scholarships	\$ 82,974	\$ -
Held for students.	-	29,506
Total net cash position	\$ 82,974	\$ 29,506

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	2,016
Gifts and contributions		12,900
Total additions		<u>14,916</u>
 Deductions:		
Scholarships awarded		<u>5,375</u>
Change in net cash position		9,541
Net cash position at beginning of year . . .		<u>73,433</u>
Net cash position at end of year	\$	<u>82,974</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1964. It is located in Wood County. The District is staffed by 40 classified employees, 53 certified teaching personnel, 7 exempt/secretarial, and 10 administrative employees who provide services to 988 students and other community members. The District currently operates three instructional buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating school districts are limited to its representation on the Board. The District paid \$22,166 to NOECA in fiscal year 2015 for services. Financial information can be obtained by contacting NOECA, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Penta Career Center

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

Northwestern Ohio Educational Research Council

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

INSURANCE PURCHASING POOLS

Ohio School Plan

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

Wood County School Benefit Plan Association

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

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

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

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

B. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

D. Basis of Presentation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

E. Budgets

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

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

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for rate determination. The Wood County Budget Commission waived the tax budget filing requirement for fiscal year 2015.

2. Estimated Resources

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2015.

3. Appropriations

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

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total of any level of control. Any revisions that alter the total object appropriations within a fund (for general fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

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

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2015, investments consisted of federal agency securities, money market mutual funds, negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest receipts credited to the general fund during fiscal year 2015 amounted to \$38,583, which includes \$7,426 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postemployment healthcare.

K. Fund Cash Balance

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

L. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position are available. The District did not have any assets restricted by enabling legislation at June 30, 2015.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2015.

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

P. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the District's pension plan disclosures, as presented in Note 10 to the financial statements, and added required supplementary information which is presented on pages 51 to 55.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the District.

B. Compliance

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

C. Deficit Cash Balances

The District had the following deficit cash balance at June 30, 2015:

<u>Nonmajor governmental fund:</u>	<u>Deficit</u>
Title I - disadvantaged children	\$ 48

This deficit cash balance resulted from a lag between disbursements made by the District and reimbursements from grantors and are allowable under Ohio Revised Code §3315.20.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$3,401,033. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, none of the District's bank balance of \$3,932,523 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2015, the District had the following investments and maturities:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investment type	Balance at Carrying Value	Balance at Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFC	\$ 224,282	\$ 225,833	\$ -	\$ -	\$ -	\$ -	\$ 225,833
FHLB	9,146,834	9,136,390	-	-	3,532,820	3,812,796	876,167
FHLMC	5,758,891	5,760,682	-	914,607	1,458,120	2,504,785	1,097,854
FNMA	4,230,354	4,172,057	-	699,923	1,049,737	1,108,349	1,252,538
Commerical papers	5,751,049	5,764,036	3,772,016	761,433	-	-	-
Negotiable CD's	2,771,137	2,778,214	450,652	1,992,020	195,921	372,028	1,759,613
STAR Ohio	1,987	1,987	1,987	-	-	-	-
U.S. Government money mark	1,660,578	1,660,578	1,660,578	-	-	-	-
Total	\$ 29,545,112	\$ 29,499,777	\$ 5,885,233	\$ 4,367,983	\$ 6,236,598	\$ 7,797,958	\$ 5,212,005

The weighted average maturity of investments is 1.36 years.

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Carrying Value</u>	<u>% to Total</u>
FFC	\$ 224,282	0.76
FHLB	9,146,834	30.96
FHLMC	5,758,891	19.48
FNMA	4,230,354	14.32
Commercial papers	5,751,049	19.47
Negotiable CD's	2,771,137	9.38
STAR Ohio	1,987	0.01
U.S. Government money market	<u>1,660,578</u>	<u>5.62</u>
Total	<u>\$ 29,545,112</u>	<u>100.00</u>

D. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2015:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 3,401,033
Investments	29,545,112
Cash on hand	<u>2,300</u>
Total	<u>\$ 32,948,445</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 32,835,965
Private purpose trust funds	82,974
Agency fund	<u>29,506</u>
Total	<u>\$ 32,948,445</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 - PROPERTY TAXES - (Continued)

Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wood County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 114,535,860	98.03	\$ 112,568,200	97.67
Public utility personal	<u>2,299,960</u>	<u>1.97</u>	<u>2,685,420</u>	<u>2.33</u>
Total	<u>\$ 116,835,820</u>	<u>100.00</u>	<u>\$ 115,253,620</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$76.82		\$79.82	

NOTE 6 - PAYMENT IN LIEU OF TAXES

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

NOTE 7 - INCOME TAXES

The District levies a voted income tax of 0.25% on the income of residents for general operations of the District and to offset a portion of the K-12 facilities construction project. The income tax became effective on January 1, 2015 and is in effect for a continual period of time. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$6,178 for fiscal year 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS

During fiscal year 2015, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2014	Additions	Reductions	Balance Outstanding June 30, 2015	Amounts Due in One Year
Governmental activities:					
<u>General obligation bonds</u>					
Series 2014A					
Current interest and term bonds	\$ -	\$ 10,780,000	\$ (10,000)	\$ 10,770,000	\$ 135,000
Capital appreciation bonds	-	90,000	-	90,000	-
Accreted interest	-	21,391	-	21,391	-
Series 2014B					
Current interest and term bonds		3,545,000	(10,000)	3,535,000	15,000
Capital appreciation bonds	-	55,000	-	55,000	-
Accreted interest	-	11,067	-	11,067	-
Total general obligation bonds	<u>-</u>	<u>14,502,458</u>	<u>(20,000)</u>	<u>14,482,458</u>	<u>150,000</u>
Certificates of participation	<u>-</u>	<u>12,195,000</u>	<u>(15,000)</u>	<u>12,180,000</u>	<u>40,000</u>
Total governmental activities	<u>\$ -</u>	<u>\$ 26,697,458</u>	<u>\$ (35,000)</u>	<u>\$ 26,662,458</u>	<u>\$ 190,000</u>

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

The issue is comprised of both current interest and term bonds, par value \$10,780,000, and capital appreciation bonds, par value \$90,000. The interest rates on the current interest bonds range from 1.00% to 5.00%. The capital appreciation bonds mature on July 15, of 2020, 2021, 2022, 2025 and 2026 (stated interest rate of 30.61%, 29.93%, 29.10%, 29.30%, 28.92%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$795,000. A total of \$21,391 in interest has been accreted on the capital appreciation bonds as of June 30, 2015.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Future debt service payments are as follows:

Fiscal Year	Current Interest Bonds, Series 2014A			Capital Appreciation Bonds, Series 2014A		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 135,000	\$ 416,481	\$ 551,481	\$ -	\$ -	\$ -
2017	135,000	413,781	548,781	-	-	-
2018	150,000	411,756	561,756	-	-	-
2019	155,000	409,506	564,506	-	-	-
2020	-	406,794	406,794	30,000	125,000	155,000
2021-2025	345,000	2,018,670	2,363,670	55,000	465,000	520,000
2026-2030	920,000	1,936,801	2,856,801	5,000	115,000	120,000
2031-2035	1,315,000	1,754,374	3,069,374	-	-	-
2036-2040	1,760,000	1,425,250	3,185,250	-	-	-
2041-2045	2,285,000	997,200	3,282,200	-	-	-
2046-2050	2,905,000	492,800	3,397,800	-	-	-
2051	665,000	26,600	691,600	-	-	-
Total	<u>\$ 10,770,000</u>	<u>\$ 10,710,013</u>	<u>\$ 21,480,013</u>	<u>\$ 90,000</u>	<u>\$ 705,000</u>	<u>\$ 795,000</u>

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

The issue is comprised of both current interest bonds, par value \$3,545,000, and capital appreciation bonds, par value \$55,000. The interest rates on the current interest bonds range from 1.00% to 3.75%. The capital appreciation bonds mature on July 15, of 2021 and 2022 (stated interest rate of 25.80% and 24.93%, respectively) at a redemption price equal to 100% of the principal plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$310,000. A total of \$11,067 in interest has been accreted on the capital appreciation bonds as of June 30, 2015.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Future debt service payments are as follows:

Fiscal Year	Current Interest Bonds, Series 2014B			Capital Appreciation Bonds, Series 2014B		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 15,000	\$ 109,400	\$ 124,400	\$ -	\$ -	\$ -
2017	145,000	109,250	254,250	-	-	-
2018	150,000	107,075	257,075	-	-	-
2019	150,000	104,825	254,825	-	-	-
2020	150,000	102,200	252,200	-	-	-
2021 - 2025	480,000	481,900	961,900	55,000	255,000	310,000
2026 - 2030	900,000	370,587	1,270,587	-	-	-
2031 - 2035	1,065,000	209,525	1,274,525	-	-	-
2036 - 2037	480,000	27,188	507,188	-	-	-
Total	<u>\$ 3,535,000</u>	<u>\$ 1,621,950</u>	<u>\$ 5,156,950</u>	<u>\$ 55,000</u>	<u>\$ 255,000</u>	<u>\$ 310,000</u>

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

Principal and interest requirements to retire the COPs at June 30, 2015, are as follows:

Fiscal Year Ending June 30.	Principal on COPs	Interest on COPs	Total
2016	\$ 40,000	\$ 465,831	\$ 505,831
2017	145,000	465,431	610,431
2018	215,000	462,531	677,531
2019	290,000	458,231	748,231
2020	295,000	452,431	747,431
2021-2025	1,650,000	2,091,105	3,741,105
2026-2030	1,865,000	1,788,357	3,653,357
2031-2035	2,245,000	1,415,470	3,660,470
2036-2040	2,780,000	873,000	3,653,000
2041-2042	<u>2,655,000</u>	<u>270,800</u>	<u>2,925,800</u>
Total	<u>\$ 12,180,000</u>	<u>\$ 8,743,187</u>	<u>\$ 20,923,187</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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

NOTE 9 - RISK MANAGEMENT

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

During fiscal year 2015, the District purchased the following coverage:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$165,851 for fiscal year 2015.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10 - PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$555,872 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$2,110,363	\$8,954,762	\$11,065,125
Proportion of the net pension liability	0.041699%	0.3681533%	

Actuarial Assumptions - SERS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$3,010,860	\$2,110,363	\$1,352,966

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - PENSION PLANS - (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$12,819,719	\$8,954,762	\$5,686,310

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$30,679, \$8,671 and \$19,581, respectively; 90.49 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$8,766, \$8,805 and \$8,144, respectively; 90.49 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$37,647 and \$36,420, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Health Care Benefits

The District provides medical and dental insurance to all employees through the Wood County Schools Benefit Plan Association. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The District also offers life insurance to all employees through the Fort Dearborn/Dearborn Life Insurance Company at no cost to the employee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13- INTERFUND TRANSACTIONS

- A.** Advances in/advances out consisted of the following at June 30, 2015 as reported on the fund statement:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 10,000

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. The advances will be repaid once the anticipated revenues are received.

Advances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund statements:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 7,483

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

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 14 - CONTINGENCIES - (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 15 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	165,525
Current year offsets	<u>(172,708)</u>
Total	<u>\$ (7,183)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (78,252)
Funds budgeted elsewhere	4,294
Adjustment for encumbrances	69,136
Cash basis	\$ (4,822)

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

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 73,053
Building	57,465
Classroom facilities	1,495,595
Nonmajor governmental	73,986
Total	\$ 1,700,099

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS*

	2015	2014
District's proportion of the net pension liability	0.04169900%	0.04169900%
District's proportionate share of the net pension liability	\$ 2,110,363	\$ 2,479,706
District's covered-employee payroll	\$ 1,184,650	\$ 1,211,700
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.14%	204.65%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS*

	2015	2014
District's proportion of the net pension liability	0.03681533%	0.03681533%
District's proportionate share of the net pension liability	\$ 8,954,762	\$ 10,666,854
District's covered-employee payroll	\$ 3,970,514	\$ 3,761,507
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	225.53%	283.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2015	2014
Contractually required contribution	\$ 165,851	\$ 169,638
Contributions in relation to the contractually required contribution	(165,851)	(169,638)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,258,354	\$ 1,223,939
Contributions as a percentage of covered-employee payroll	13.18%	13.86%

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2015	2014
Contractually required contribution	\$ 555,872	\$ 526,611
Contributions in relation to the contractually required contribution	(555,872)	(526,611)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 3,970,514	\$ 4,050,854
Contributions as a percentage of covered-employee payroll	14.00%	13.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**Northwood Local School District
Schedule of Federal Awards Receipts and Expenditures
For the Year Ending June 30, 2015**

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<u>U.S. Department of Agriculture</u>			
Pass through Ohio Department of Education			
Nutrition Cluster:			
Breakfast Program	10.553	\$ 66,468	\$ 66,468
National School Lunch Program	10.555	<u>216,542</u>	<u>216,542</u>
Non-Cash Assistance			
National School Lunch Program - Food Commodities - Note 2	10.555	<u>36,393</u>	<u>36,393</u>
Total Nutrition Cluster		<u>319,403</u>	<u>319,403</u>
Total U.S. Department of Agriculture		319,403	319,403
<u>U.S. Department of Education</u>			
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - Basic Grant - FY 14	84.010	18,292	12,422
Title I - Basic Grant - FY 15	84.010	<u>109,573</u>	<u>109,621</u>
Total Title I Cluster		127,865	122,043
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Special Education Grants to States - FY14	84.027	5,423	5,423
Special Education Grants to States - FY15	84.027	<u>189,698</u>	<u>189,698</u>
Total Special Education Cluster		195,121	195,121
Title II-A			
Improving Teacher Quality	84.367	<u>24,281</u>	<u>24,281</u>
Total Title II-A		<u>24,281</u>	<u>24,281</u>
Total U.S. Department of Education		<u>347,267</u>	<u>341,445</u>
Total Federal Awards		<u><u>\$666,670</u></u>	<u><u>\$660,848</u></u>

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

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwood Local School District, Wood County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 18, 2015.

District's Response to Finding

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
November 18, 2015

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Charles E. Harris & Associates, Inc.
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Northwood Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Northwood Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Northwood Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-002 to be a material weakness.

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

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



Charles E. Harris & Associates, Inc.
November 18, 2015

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510 (a)</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	<u><i>Special Education Cluster:</i></u> Special Education - Grants to States - CFDA # 84.027 <u><i>Child Nutrition Cluster:</i></u> National School Lunch Program – CFDA #10.555; National School Breakfast Program – CFDA #10.553
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

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

FINDING NUMBER 2015-001: Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

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

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2015. The accompanying financial statements and notes omit assets, deferred outflows, liabilities, deferred inflows, fund equities, and disclosures that, while material, cannot be determined at this time.

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

Official's Response:

As one of the many cost cutting items identified for 2015, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.

3. FINDINGS FOR FEDERAL AWARDS

Finding 2015-002 – Material Weakness

OMB Circular A-133 states that it is management's responsibility to prepare an accurate Schedule of Federal Awards Receipts and Expenditures. The requirement means that the recipient has to identify all of its federal programs (direct and indirect, major and non-major) and related awards expended, including separately identifying expenditures of Recovery Act awards.

The Board's internal control procedures did not identify various errors within the Schedule of Federal Awards Receipts and Expenditures, including but not limited to using incorrect figures, including state grants and excluding certain federal grants. The failure to identify grants and include all activities affects the District's ability to report accurate federal expenditures required by OMB Circular A-133. These errors were detected and corrected during the audit process.

**NORTHWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

3. FINDINGS FOR FEDERAL AWARDS – (continued)

Finding 2015-002 – Material Weakness – (continued)

We recommend that the Board implement additional procedures to identify federal grants and include them on the annual schedule of federal awards receipts and expenditures. Management should contact the various granting agencies and request documentation for all grant activity with the Board to confirm activity.

Management's Response:

Per discussion with Angel Adamski, Treasurer, the District has worked with the auditor to correct past practice regarding year-end closeout procedures for federal grants. These procedures will be used monthly and yearly so that the annual schedule of federal awards expenditures includes all federal grants. The staff that processes federal grants has been made aware of this situation and has been trained in the procedures described by the auditor.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-01	Ohio Revised Code § 117.38 and Administrative Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2015-001.

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Dave Yost • Auditor of State

NORTHWOOD LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2016**