



Dave Yost • Auditor of State



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northeastern Local School District  
Defiance County  
05751 Domersville Road  
Defiance, Ohio 43512-6703

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Northeastern Local School District, Defiance County, Ohio (the District), as of and for the year ended June 30, 2014, 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 opinions.

**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, the major fund, and the aggregate remaining fund information of Northeastern Local School District, Defiance County, Ohio, as of June 30, 2014, 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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Award Receipts and Expenditures Schedule (the Schedule) also 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 also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the 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, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 11, 2014

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**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of the financial performance of Northeastern Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

In total, net position increased \$585,525.

General receipts accounted for \$9,712,324 or 77 percent of all receipts. Program specific receipts in the form of charges for services and operating and capital grants and contributions accounted for \$2,977,370 or 23 percent of total receipts of \$12,689,694.

The District's major fund is the General Fund. The General Fund had \$10,822,881 in receipts and other financing sources and \$10,126,976 in disbursements and other financing uses. The General Fund's balance increased \$695,905 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund and the only major fund.

**Reporting the District as a Whole**

**Statement of Net Position and Statement of Activities**

The statement of net position and the statement of activities, both reported on the cash basis, reflect how the District performed financially during fiscal year 2014. These statements are reported on a cash basis of accounting, which reflects receipts and disbursements when cash is received or disbursed.

These statements report the District's net position and changes in that position. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

In the statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes all of the District's programs and services, are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax receipts and from intergovernmental receipts, including federal and state grants and other shared receipts.

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

Fund Financial Statements

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

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

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

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis.

<b>Table 1</b>		
<b>Net Position</b>		
<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$4,502,558	\$3,917,033
<b><u>Net Position:</u></b>		
Restricted for Debt Service	\$337,435	\$303,831
Restricted for Capital Outlay	158,378	165,836
Restricted for Other Purposes	101,006	87,161
Unrestricted	3,905,739	3,360,205
Total	\$4,502,558	\$3,917,033

The increase in net position was the result of receipts increasing at a greater rate than disbursements. Total receipts in fiscal year 2014 were approximately 12.8 percent higher than in fiscal year 2013 while fiscal year 2014 disbursements were approximately 5.1 percent higher than fiscal year 2013 disbursements. This resulted in an increase in net position of \$585,525. The increase in receipts was primarily due to additional tax receipts in the amount of \$879,913 generated from the 2.95 mill tax levy

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

approved by voters in November 2013 combined with an increase in tax valuations. An increase in the number of students accepted by the District through open enrollment and a new funding formula generated \$228,049 in additional receipts in fiscal year 2014, which also contributed to the increase in net position. The increase in disbursements is mainly attributed to increases in instructional services and instructional staff support.

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

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

	<u>2014</u>	<u>2013</u>
<b><u>Receipts:</u></b>		
Program Receipts:		
Charges for Services and Sales	\$1,572,799	\$1,484,797
Operating Grants, Contributions and Interest	1,404,571	740,607
Total Program Receipts	<u>\$2,977,370</u>	<u>\$2,225,404</u>
General Receipts:		
Property Taxes	6,725,821	5,845,908
Grants and Entitlements	2,806,292	3,068,899
Interest	17,543	18,736
Payments in Lieu of Taxes	68,356	2,126
Gifts and Donations	17,863	30,788
Miscellaneous	16,719	12,321
Insurance Recoveries	7,112	6,936
Refund of Prior Year Expenditures	52,618	42,296
Total General Receipts	<u>\$9,712,324</u>	<u>\$9,028,010</u>
Total Receipts	<u>\$12,689,694</u>	<u>\$11,253,414</u>
<b><u>Disbursements:</u></b>		
Instruction	\$6,640,930	\$6,293,020
Support Services:		
Pupils	535,872	540,281
Instructional Staff	560,956	396,738
Board of Education	59,167	44,423
Administration	826,758	846,801
Fiscal	410,671	375,503
Operation and Maintenance of Plant	875,329	826,948
Pupil Transportation	659,760	644,135
Central	60,257	48,826
Non-Instructional	501,018	515,536
Extracurricular Activities	339,324	387,643
Capital Outlay	92,358	76,608
Principal	365,000	350,000
Interest and Fiscal Charges	173,194	173,194
Refund of Prior Year Receipts	11,392	90
Total Disbursements	<u>\$12,111,986</u>	<u>\$11,519,746</u>
Transfers	2,317	(25)
Advances	5,500	(5,500)
Increase (Decrease) in Net Position	<u>\$585,525</u>	<u>\$(271,857)</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
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Governmental Activities

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Instruction	\$6,640,930	\$4,824,059	\$6,293,020	\$4,771,447
Support Services:				
Pupils	535,872	531,611	540,281	537,044
Instructional Staff	560,956	366,762	396,738	373,287
Board of Education	59,167	59,167	44,423	44,423
Administration	826,758	796,275	846,801	801,989
Fiscal	410,671	409,913	375,503	375,503
Operation and Maintenance of Plant	875,329	875,329	826,948	826,948
Pupil Transportation	659,760	294,465	644,135	620,661
Central	60,257	31,654	48,826	41,626
Non-Instructional	501,018	80,810	515,536	58,327
Extracurricular Activities	339,324	222,627	387,643	243,195
Capital Outlay	92,358	92,358	76,608	76,608
Principal	365,000	365,000	350,000	350,000
Interest and Fiscal Charges	173,194	173,194	173,194	173,194
Refund of Prior Year Receipts	11,392	11,392	90	90
<b>Total Expenses</b>	<b>\$12,111,986</b>	<b>\$9,134,616</b>	<b>\$11,519,746</b>	<b>\$9,294,342</b>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 72 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 75 percent. The remaining 25 percent is derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had receipts and other financing sources of \$12,765,465 and disbursements and other financing uses of \$12,179,940. The District's net positive change of \$585,525 was primarily due to additional tax receipts in the amount of \$879,913 generated from the 2.95 mill tax levy approved by voters in November 2013 and an increase in tax values. An increase in the number of students accepted by the District through open enrollment and a new funding formula generated \$228,049 in additional receipts in fiscal year 2014, which also contributed to the increase in net position.

**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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
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budgeted fund is the General Fund. During the course of fiscal year 2014, the District amended its General Fund budget as needed.

Final estimated resources were more than original estimated resources by \$380,200 due to an increase in tax receipts. Final receipts and other financing sources were budgeted at \$10,202,753 while actual receipts and other financing sources were \$10,752,137. The difference of \$549,384 is primarily due to an increase in intergovernmental receipts and tuition and fees.

Original disbursements and other financing uses were budgeted at \$11,412,763. Final disbursements and other financing uses were budgeted at \$11,668,660 while actual disbursements and other financing uses were \$10,445,605. The difference of \$1,223,055 is primarily due to a conservative "worst case scenario" approach. The District over-appropriated for regular and other instruction, instructional staff support, board of education, administration, operation and maintenance, pupil transportation, and central support disbursements.

**Debt Administration**

**Debt**

At June 30, 2014, the District had \$5,060,285 in school improvement general obligation bonds for refunding prior building improvement bonds. The bonds were issued for a twenty-one year period, with final maturity on December 1, 2026. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2014, the District's overall legal debt margin was \$15,020,825, with an un-voted debt margin of \$223,252.

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

**Current Issues**

The Northeastern Local School District encompasses approximately 117 square miles in the northeastern corner of Defiance County. It is a rural community with approximately 12,000 residents. In addition to the agricultural base, the District has some industrial and commercial businesses that have contributed to the financial stability of the District.

The District is currently operating in the second year of the state biennium budget. A new funding formula resulted in an additional \$163,655 in state aid in fiscal year 2014 and preliminary projections indicate that the District may receive an additional \$233,906 in fiscal year 2015. In fiscal year 2014, 67 percent of District revenue sources were from local funds, 28 percent from state funds and the remaining five percent was from federal funds. The total expenditure per pupil was calculated at \$9,710.

The District has enjoyed steady growth in its tax base. New businesses continue to locate in the District allowing it to provide the educational opportunities to which the residents are accustomed. However, like all school districts in Ohio, the Northeastern Local School District is faced with financial challenges such as changes to state funding, the long-term effects of public utility deregulation, and the elimination of personal property taxes on business inventory. In November 2013 voters in the District approved a five-year 2.95 mill levy for current operating expenses. This tax was first levied in tax year 2013 for first collection in calendar year 2014 and will generate an additional \$653,610 in revenue. In November 2014 voters in the District will be asked to renew a ½ mill levy for permanent improvements. If approved this levy will generate an additional \$83,257 in revenue.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Garmyn, Treasurer, Northeastern Local School District, 05751 Domersville Road, Defiance, Ohio 43512-6703.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Net Position - Cash Basis  
June 30, 2014**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,489,452
Investments	1,013,106
Total Assets	<u>\$4,502,558</u>
<b>Net Position:</b>	
Restricted for Debt Service	\$337,435
Restricted for Capital Outlay	158,378
Restricted for Other Purposes	101,006
Unrestricted	3,905,739
Total Net Position	<u>\$4,502,558</u>

See Accompanying Notes to the Basic Financial Statements

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2014**

	<b>Program Receipts</b>		<b>Net (Disbursements) Receipts and Changes in Net Position</b>	
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,510,722	\$1,147,551	\$88,597	(\$3,274,574)
Special	1,082,283	14,834	529,387	(538,062)
Vocational	139,306		5,504	(133,802)
Student Intervention Services	33,753		30,998	(2,755)
Other	874,866			(874,866)
Support Services:				
Pupils	535,872		4,261	(531,611)
Instructional Staff	560,956		194,194	(366,762)
Board of Education	59,167			(59,167)
Administration	826,758	30,178	305	(796,275)
Fiscal	410,671		758	(409,913)
Operation and Maintenance of Plant	875,329			(875,329)
Pupil Transportation	659,760	8,791	356,504	(294,465)
Central	60,257	5,400	23,203	(31,654)
Operation of Non-Instructional Services	501,018	249,348	170,860	(80,810)
Extracurricular Activities	339,324	116,697		(222,627)
Capital Outlay	92,358			(92,358)
Principal	365,000			(365,000)
Interest and Fiscal Charges	173,194			(173,194)
Refund of Prior Year Receipts	11,392			(11,392)
<b>Totals</b>	<b>\$12,111,986</b>	<b>\$1,572,799</b>	<b>\$1,404,571</b>	<b>(9,134,616)</b>
 General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes			6,118,346	
Property Taxes, Levies for Capital Outlay			75,698	
Property Taxes, Levied for Debt Service			531,777	
Payments in Lieu of Taxes			68,356	
Grants and Entitlements not Restricted to Specific Programs			2,806,292	
Gifts and Donations			17,863	
Investment Earnings			17,543	
Miscellaneous			16,719	
Insurance Recoveries			7,112	
Refund of Prior Year Expenditures			52,618	
<b>Total General Receipts</b>			<b>9,712,324</b>	
Advances			5,500	
Transfers			2,317	
<b>Total General Receipts, Advances, and Transfers</b>			<b>9,720,141</b>	
Change in Net Position			<b>585,525</b>	
Net Position Beginning of Year			<b>3,917,033</b>	
Net Position End of Year			<b>\$4,502,558</b>	

See Accompanying Notes to the Basic Financial Statements



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2014**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,043,004	\$446,448	\$3,489,452
Investments	1,013,106		1,013,106
<b>Total Assets</b>	<b>\$4,056,110</b>	<b>\$446,448</b>	<b>\$4,502,558</b>
<b>Fund Balances</b>			
Restricted	\$20,928	\$596,819	\$617,747
Assigned	717,879		717,879
Unassigned (Deficit)	3,317,303	(150,371)	3,166,932
<b>Total Fund Balances</b>	<b>\$4,056,110</b>	<b>\$446,448</b>	<b>\$4,502,558</b>

See Accompanying Notes to the Basic Financial Statements

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$6,118,346	\$607,475	\$6,725,821
Intergovernmental	3,322,144	888,719	4,210,863
Interest	17,543		17,543
Tuition and Fees	1,167,785		1,167,785
Extracurricular Activities	30,178	116,697	146,875
Gifts and Donations	3,596	14,267	17,863
Customer Sales and Services		249,348	249,348
Payments in Lieu of Taxes	68,356		68,356
Miscellaneous	20,326	5,184	25,510
Total Revenues	<u>10,748,274</u>	<u>1,881,690</u>	<u>12,629,964</u>
<b>Cash Disbursements:</b>			
Current:			
Instruction:			
Regular	4,458,453	52,269	4,510,722
Special	729,305	352,978	1,082,283
Vocational	139,306		139,306
Student Intervention Services	33,753		33,753
Other	702,671	172,195	874,866
Support Services:			
Pupils	531,611	4,261	535,872
Instructional Staff	359,933	201,023	560,956
Board of Education	59,167		59,167
Administration	826,453	305	826,758
Fiscal	394,248	16,423	410,671
Operation and Maintenance of Plant	867,035	8,294	875,329
Pupil Transportation	659,760		659,760
Central	50,403	9,854	60,257
Operation of Non-Instructional Services	8,334	492,684	501,018
Extracurricular Activities	220,119	119,205	339,324
Capital Outlay	8,101	84,257	92,358
Debt Service:			
Principal		365,000	365,000
Interest		173,194	173,194
Total Disbursements	<u>10,048,652</u>	<u>2,051,942</u>	<u>12,100,594</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>699,622</u>	<u>(170,252)</u>	<u>529,370</u>
<b>Other Financing Sources and (Uses):</b>			
Transfers In		62,771	62,771
Advances In		7,500	7,500
Insurance Recoveries	7,112		7,112
Repayment of Prior Year Advance	15,500	(10,000)	5,500
Refund of Prior Year Expenditures	51,995	623	52,618
Transfers Out	(60,454)		(60,454)
Advances Out	(7,500)		(7,500)
Refund of Prior Year Receipts	(10,370)	(1,022)	(11,392)
Total Other Financing Sources and (Uses)	<u>(3,717)</u>	<u>59,872</u>	<u>56,155</u>
Net Change in Fund Balances	695,905	(110,380)	585,525
Fund Balances at Beginning of Year	3,360,205	556,828	3,917,033
Fund Balances at End of Year	<u>\$4,056,110</u>	<u>\$446,448</u>	<u>\$4,502,558</u>

See Accompanying Notes to the Basic Financial Statements

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budgetary Basis  
General Fund  
For the Fiscal Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$5,705,800	\$6,086,000	\$6,118,346	\$32,346
Intergovernmental	3,205,878	3,205,878	3,322,144	116,266
Interest	10,000	10,000	17,543	7,543
Tuition and Fees	829,100	829,100	1,115,276	286,176
Rent	300	300	6,651	6,351
Gifts and Donations			3,596	3,596
Payments in Lieu of Taxes	33,675	33,675	68,355	34,680
Miscellaneous	2,800	2,800	25,619	22,819
Total Receipts	<u>9,787,553</u>	<u>10,167,753</u>	<u>10,677,530</u>	<u>509,777</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	4,553,153	4,614,774	4,445,648	169,126
Special	762,804	786,329	768,809	17,520
Vocational	172,245	176,245	139,322	36,923
Other	865,799	865,799	740,696	125,103
Support Services:				
Pupils	570,550	578,450	532,221	46,229
Instructional Staff	442,472	472,472	360,784	111,688
Board of Education	83,560	132,673	75,836	56,837
Administration	1,192,217	849,205	793,117	56,088
Fiscal	410,763	429,913	395,724	34,189
Operation and Maintenance of Plant	1,063,931	1,067,431	961,962	105,469
Pupil Transportation	712,971	922,971	854,594	68,377
Central	47,000	221,250	50,403	170,847
Operation of Non-Instructional Services	20,250	20,250	8,334	11,916
Extracurricular Activities	251,353	253,553	221,324	32,229
Capital Outlay	58,695	56,495	18,501	37,994
Total Disbursements	<u>11,207,763</u>	<u>11,447,810</u>	<u>10,367,275</u>	<u>1,080,535</u>
Receipts Over (Under) Disbursements	<u>(1,420,210)</u>	<u>(1,280,057)</u>	<u>310,255</u>	<u>1,590,312</u>
<b>Other Financing Sources and (Uses):</b>				
Advances In			15,500	15,500
Insurance Recoveries			7,112	7,112
Refund of Prior Year Expenditures	35,000	35,000	51,995	16,995
Transfers Out	(50,000)	(75,000)	(60,460)	14,540
Advances Out	(50,000)	(50,000)	(7,500)	42,500
Refund of Prior Year Receipts	(5,000)	(10,500)	(10,370)	130
Other Financing Uses	(100,000)	(85,350)		85,350
Total Other Financing Sources and Uses	<u>(170,000)</u>	<u>(185,850)</u>	<u>(3,723)</u>	<u>182,127</u>
Net Change in Fund Balance	(1,590,210)	(1,465,907)	306,532	1,772,439
Fund Balance at Beginning of Year	3,117,713	3,117,713	3,117,713	
Prior Year Encumbrances Appropriated	220,139	220,139	220,139	
Fund Balance at End of Year	<u>\$1,747,642</u>	<u>\$1,871,945</u>	<u>\$3,644,384</u>	<u>\$1,772,439</u>

See Accompanying Notes to the Basic Financial Statements

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Funds  
June 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$11,044</u>	<u>\$27,405</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		<u>\$27,405</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$11,044</u>	

See Accompanying Notes to the Basic Financial Statements

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**Statement of Changes in Fiduciary Net Position - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2014**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Transfers In	<u>\$6</u>
Change in Net Position	6
Net Position Beginning of Year	<u>11,038</u>
Net Position End of Year	<u><u>\$11,044</u></u>

See Accompanying Notes to the Basic Financial Statements

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**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Northeastern Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northeastern Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's three instructional/support facilities staffed by 53 non-certified and 76 certified part-time and full-time teaching personnel who provide services to 1,095 students and other community members.

**The Reporting Entity**

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiatives, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**2. Fund Financial Statements**

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's only major fund is the General Fund.

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



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. 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 assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The District's agency funds account for various student-managed activities.

**C. Basis of Accounting**

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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.

**D. Budgetary Process**

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Cash and Investments**

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, investments were limited to STAR Ohio, certificates of deposit, a money market mutual fund, and federal agency securities. Investments are reported at cost, except for the money market mutual fund and STAR Ohio. The District's money market mutual fund investment is recorded at the amount reported by Morgan Stanley Smith Barney at June 30, 2014.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$17,543, which includes \$3,107 assigned from other District funds.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. The District has no restricted assets.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**K. Fund Balance**

Fund 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 governmental funds. The classifications are as follows:

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**L. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Long-term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. There are no amounts restricted by enabling legislation.

**O. Interfund Transactions**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

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 Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Budgetary Basis for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund.

<b>Net Change in Fund Balance</b>	
Budget Basis	\$306,532
<u>Increase (Decrease) Due To:</u>	
Encumbrances Outstanding at Year End (Budget Basis)	391,822
Activity of Funds Reclassified for Reporting Purposes	(2,449)
Cash Basis	\$695,905

**4. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

At year end, the District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,898,017 of the District's bank balance of \$3,672,430 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Cost Value</u>	<u>Investment Maturities</u>	
		<u>Less than One Year</u>	<u>One to Two Years</u>
Money Market Mutual Fund	\$12,945	\$12,945	
Federal Home Loan Mortgage Corp Notes	250,186	250,186	
Federal National Mortgage Assn Notes	762,920		\$762,920
STAR Ohio	<u>171,442</u>	<u>171,442</u>	
Total Investments	<u>\$1,197,493</u>	<u>\$434,573</u>	<u>\$762,920</u>

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk - The Federal Home Loan Mortgage Corporation Notes and the Federal National Mortgage Association Notes carry a rating of AAA by Moody's and AA+ by Standard and Poor's. The Morgan Stanley Active Assets Government Securities Money Market Fund and STAR Ohio carry a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes and the Federal Home Loan Mortgage Corporation Notes 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 it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Home Loan Mortgage Corporation Notes and the Federal National Mortgage Association Notes represent 21 percent and 64 percent, respectively, of the District's total investments.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2014 were levied after April 1, 2013, on the assessed values as of December 31, 2012, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Defiance 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<b>2013 Second- Half Collections</b>		<b>2014 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Residential/Agricultural	\$131,639,360	60%	\$132,242,320	59%
Commercial/Industrial	47,407,540	21%	46,051,010	21%
Public Utility	42,518,790	19%	44,958,290	20%
Total Assessed Value	<u>\$221,565,690</u>	<u>100%</u>	<u>\$223,251,620</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.30		\$47.25	

**6. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage. Coverages provided are as follows:

Property Insurance	\$44,284,568
Equipment Breakdown	50,000,000
Automobile Liability	15,000,000
Wrongful Acts	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (see Note 14). The District pays monthly premiums to OHI for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. Northern Buckeye Health Plan is responsible for the management and operations of the program. The agreement for the program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan – Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (WCGRP), an insurance purchasing pool (see Note 14). The NBHP WCGRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the WCGRP. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

**7. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$222,723, \$217,278, and \$153,847, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. DEFINED PENSION BENEFIT PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013 (latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$587,194, \$585,869, and \$551,982, respectively; 92 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014 this amount was \$20,250. The District's SERS surcharge amount for 2014 was \$22,285.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$24,665, \$2,654, and \$37,518, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$12,921, \$12,274, and \$9,900, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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](http://www.strsoh.org) or by calling (888) 227-7877.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$45,169, \$45,067, and \$42,460, respectively; 92 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012

**9. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 59.75 days for certified employees and 59.75 days for non-certified employees.

**10. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the District during fiscal year 2014 were as follows:

	<u>Balance at 06/30/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/14</u>	<u>Amount Due In one Year</u>
Series 2005:					
Current interest bonds	\$4,105,000			\$4,105,000	
Capital appreciation bonds	<u>1,202,146</u>	<u>\$118,139</u>	<u>\$365,000</u>	<u>955,285</u>	<u>\$344,438</u>
<b>Total Long-Term Obligations</b>	<u><u>\$5,307,146</u></u>	<u><u>\$118,139</u></u>	<u><u>\$365,000</u></u>	<u><u>\$5,060,285</u></u>	<u><u>\$344,438</u></u>

Total expenditures for interest for the above debt for the period ended June 30, 2014 was \$173,194.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2014, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$344,438	\$203,755	\$548,193
2016	317,400	230,794	548,194
2017	293,447	254,749	548,196
2018	375,000	165,224	540,224
2019	390,000	148,969	538,969
2020-2024	2,215,000	484,171	2,699,171
2025-2027	1,125,000	56,203	1,181,203
Total	<u>\$5,060,285</u>	<u>\$1,543,865</u>	<u>\$6,604,150</u>

**General Obligation Bonds – Series 2005**

The general obligation bonds were issued in May 11, 2005 for the purpose of school improvement refunding bond. The bonds consist of \$4,965,000 in current interest bonds and \$289,990 capital appreciation bonds. The bonds are dated as of May 11, 2005.

The bonds shall mature on December 1 in the years and in the principal amounts set forth below:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2017	\$375,000	4.25%
2018	390,000	4.25%
2019	405,000	4.00%
2020	425,000	4.10%
2021	445,000	4.15%
2022	460,000	4.20%
2023	480,000	4.25%
2024	500,000	4.30%
2025	525,000	4.37%
2026	100,000	4.40%

The current interest bonds will bear interest payable on June 1 and December 1 of each year, commencing on June 1, 2005. All current interest bonds will be issued as current interest serial bonds, and none of the current interest bonds will be issued as term bonds.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds were issued in the principal amounts will mature and be payable as both principal and interest in the maturity amounts on the principal payment dates, and will bear interest at the compounding rates per year as follows:

<b>Maturity Date</b>	<b>Original Principal Amount</b>	<b>Accreted Value At Maturity</b>
2014	\$69,435	\$375,000
2015	58,200	375,000
2016	48,784	375,000

The value of the capital appreciation bonds at June 30, 2014 was \$955,285. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$778,869 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**11. SET-ASIDE CALCULATION**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<b>Capital Acquisition</b>
Set Aside Reserve Balance June 30, 2013	
Current Year Set-aside Requirement	\$197,350
Current Year Qualifying Expenditures	( 127,537)
Current Year Offsets	( 87,147)
Total	(\$ 17,334)
Balance Carried Forward to Fiscal Year 2015	

The District had qualifying disbursements and current year offsets during the year that reduced the set-aside amount to below zero. The negative amount may not be used to reduce future capital set-aside requirements.

**12. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. FUND BALANCE (Continued)**

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Extra-Curricular Activities		\$54,612	\$54,612
Food Service Operations		46,394	46,394
Facilities Maintenance	\$20,928	12,409	33,337
Debt Retirement		337,435	337,435
Permanent Improvements		145,969	145,969
Total Restricted	<u>20,928</u>	<u>596,819</u>	<u>617,747</u>
Assigned for:			
Unpaid Obligations (Encumbrances)	393,858		393,858
Budget Stabilization	324,021		324,021
Total Assigned	<u>717,879</u>		<u>717,879</u>
Unassigned (Deficit)	<u>3,317,303</u>	<u>(150,371)</u>	<u>3,166,932</u>
Total Fund Balance	<u>\$4,056,110</u>	<u>\$446,448</u>	<u>\$4,502,558</u>

**13. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$83,931. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located.



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$250. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, at 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center—one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; and one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were \$48,694. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (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 twenty-five county area of 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. Total disbursements made by the District to NOERC during this fiscal year were \$200. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**14. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Plan). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code §9.833. The Plan is a public entity shared risk pool consisting of educational entities throughout the State. The Plan is governed by OHI and its participating members. Total disbursements made by the District to NBHP/OHI for employee insurance benefits during this fiscal year were \$1,066,547. Financial information can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**14. GROUP PURCHASING POOLS (Continued)**

**B. Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan (NBHP), Northern Division of OHI Workers' Compensation Group Rating Plan (WCGRP) was established on January 1, 2012 through NBHP as an insurance purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$1,085 to the WCGRP to cover the costs of administering the program.

**C. Schools of Ohio Risk Sharing Authority**

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid \$65,426 for those services to SORSA during fiscal year 2014.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. SORSA employs an Executive Director and a Member Services Coordinator to administer the pool while claims are processed by Avizent. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235 or by calling 866-767-7299.

**15. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

<b>Transfers from the General Fund to:</b>	<b>Amount</b>
Other Governmental Funds:	
Food Service Fund	\$60,006
Athletic Fund	405
District Managed Student Activity Funds	19
Total	\$60,430
Private Purpose Funds:	
Scholarship Fund	6
Agency Funds:	
Student Activities	18
Total Transfers	\$60,454

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. INTERFUND TRANSFERS (Continued)**

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. The District also transferred \$2,341 from the OHSAA Tournament Activities Agency Fund to the Athletic Fund to reimburse for use of the football facilities for a playoff game.

**16. INTERFUND RECEIVABLES / PAYABLES**

Interfund balances at June 30, 2014, consisted of the following individual fund receivables and payables:

<b>Due to the General Fund From:</b>	<b>Amount</b>
Other Governmental Funds:	
Athletic Fund	\$ 7,500

The balance due to the General Fund includes loans made to cover costs in the Athletic Fund where receipts were not received by June 30. These amounts are expected to be repaid within one year. These amounts are not included on the accompanying financial statements. All interfund balances outstanding at June 30, 2013 were repaid during fiscal year 2014.

**17. REPAYMENT OF ADVANCES**

The following advances were made during the fiscal year to repay advances outstanding in the previous year:

<b>Advance from Other Governmental Funds to:</b>	<b>Amount</b>
General Fund	\$10,000

<b>Advance from Agency Fund to:</b>	<b>Amount</b>
General Fund	\$5,500

**18. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**19. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

**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.

**20. FUND BALANCE DEFICIT**

The Early Literacy and Reading Readiness Grant Fund had a deficit fund balance of \$150,371 at June 30, 2014. The deficit fund balance will be eliminated once the request for funds is received in July.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$158,632	\$158,632
Non-Cash Assistance (Food Distribution)	10.555	44,627	44,627
Total National School Lunch Program		<u>203,259</u>	<u>203,259</u>
School Breakfast Program	10.553	<u>8,495</u>	<u>8,495</u>
Total Nutrition Cluster		<u>211,754</u>	<u>211,754</u>
<b>UNITES STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	109,980	109,988
Special Education Cluster:			
Special Education Grants to States	84.027	244,848	244,848
Special Education Preschool Grants	84.173	5,692	5,692
Total Special Education Cluster		<u>250,540</u>	<u>250,540</u>
Improving Teacher Quality State Grants	84.367	43,531	43,534
ARRA - Race to the Top Incentive Grants	84.395	<u>700</u>	<u>700</u>
Total United States Department of Education		<u>404,751</u>	<u>404,762</u>
<b>Total</b>		<u><u>\$616,505</u></u>	<u><u>\$616,516</u></u>

*The accompanying notes are an integral part of this schedule.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$250,540.

**NOTE C - 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 D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northeastern Local School District  
Defiance County  
05751 Domersville Road  
Defiance, Ohio 43512-6703

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, the major fund, and the aggregate remaining fund information of Northeastern Local School District, Defiance County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***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 opinions 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 matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

***District's Response to Findings***

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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 11, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Northeastern Local School District  
Defiance County  
05751 Domersville Road  
Defiance, Ohio 43512-6703

### ***Report on Compliance for Each Major Federal Program***

We have audited Northeastern Local School District, Defiance County, Ohio's (the District's) 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 Northeastern Local School District's major federal programs for the year ended June 30, 2014. 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, Northeastern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***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.

*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 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 11, 2014

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555  Special Education Cluster: Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2014-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides that each public office, other than a state agency, 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 § 117-2-03 (B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Rev. Code § 117.38</b> and <b>Ohio Admin. Code § 117-2-03 (B)</b> for not preparing the annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as Finding 2014-001 in this report.
2013-002	Material weakness due to errors in the financial statements.	No	Partially Corrected. Reissued in the Management Letter.

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# Dave Yost • Auditor of State

**NORTHEASTERN LOCAL SCHOOL DISTRICT**

**DEFIANCE 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  
DECEMBER 30, 2014**