

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Northwood Local School District, Wood County, prepared by Weber O'Brien, Ltd, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

May 18, 2006

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**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2005**

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**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2005**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District ("District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

As described more fully in Note 19, the District has implemented GASB Technical Bulletin No. 2004-02 *Recognition of Pension and Other Post Employment Benefit Expenditures / Expense and Liabilities by Cost Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2006 on our consideration of the Northwood Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwood Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements of Northwood Local School District. Such information, which is the representation of management of Northwood Local School District, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert O'Brien Ltd*

January 30, 2006



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

The discussion and analysis of the Northwood Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

In total, net assets increased \$150,093.

General revenues accounted for \$9,069,680 or 91 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$923,830 or 9 percent of total revenues of \$9,993,510.

The District's major funds included the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$8,445,496 in revenues and other financing sources and \$8,486,559 in expenditures and other financing uses. The General Fund's balance decreased \$41,063 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$1,514,765 in revenues and other financing sources and \$1,461,594 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$53,171 from the prior fiscal year.

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

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund and the Bond Retirement Debt Service Fund are the only two major funds.

**Reporting the District as a Whole**

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

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

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

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

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

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

**Fund Financial Statements**

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

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

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2005</b>	<b>2004</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$6,863,398	\$6,126,465
Capital Assets, Net	3,804,043	3,972,415
Total Assets	<u>10,667,441</u>	<u>10,098,880</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	6,463,567	5,788,914
Long-Term Liabilities	3,123,368	3,181,242
Total Liabilities	<u>9,586,935</u>	<u>8,970,156</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	1,394,867	1,477,816
Restricted	306,813	336,961
Unrestricted	(639,174)	(686,053)
Total	<u>\$1,062,506</u>	<u>\$1,128,724</u>

The increases in current assets and current liabilities were due to the increase in taxes receivable and deferred revenue. The decrease in long-term liabilities was attributed to the refinancing of bonds.

Table 2 reflects the changes in net assets for fiscal year 2005.

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

	<b>2005</b>	<b>2004</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$343,745	\$325,883
Operating Grants, Contributions and Interest	571,475	263,630
Capital Grants and Contributions	8,610	
Total Program Revenues	<u>923,830</u>	<u>589,513</u>
General Revenues:		
Property Taxes	5,672,614	5,362,525
Grants and Entitlements	3,120,031	3,235,582
Gifts and Donations	7,965	10,450
Investment Earnings	21,888	11,783
Miscellaneous	247,182	282,768
Total General Revenues	<u>9,069,680</u>	<u>8,903,108</u>
Total Revenues	<u>9,993,510</u>	<u>9,492,621</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**Expenses:**

Instruction	5,702,220	5,169,769
Support Services:		
Pupils	349,967	337,428
Instructional Staff	441,857	708,834
Board of Education	13,573	14,581
Administration	822,822	785,298
Fiscal	283,069	293,455
Operation and Maintenance of Plant	838,280	859,554
Pupil Transportation	317,075	325,575
Central	1,782	477
Non-Instructional	334,201	326,907
Extracurricular Activities	338,150	298,873
Capital Outlay	214,487	300,317
Interest and Fiscal Charges	185,934	142,637
Total Expenses	9,843,417	9,563,705
Increase in Net Assets	\$150,093	(\$71,084)

The District had decreases in program revenue grants and slight increases in tax revenue. In addition, interest income increased due to the accrued interest earned on the refunding bond issue. The change in expenses was insignificant.

**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>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Instruction	5,702,220	\$5,040,816	\$5,169,769	\$4,887,488
Support Services:				
Pupils	349,967	344,859	337,428	332,303
Instructional Staff	441,857	426,932	708,834	702,913
Board of Education	13,573	13,573	14,581	14,581
Administration	822,822	817,822	785,298	785,298
Fiscal	283,069	283,069	293,455	293,455
Operation and Maintenance of Plant	838,280	838,280	859,554	859,554
Pupil Transportation	317,075	317,075	325,575	325,575
Central	1,782	1,782	477	477
Non-Instructional	334,201	159,967	326,907	147,880
Extracurricular Activities	338,150	274,991	298,873	181,714
Capital Outlay	214,487	214,487	300,317	300,317
Interest and Fiscal Charges	185,934	185,934	142,637	142,637
Total Expenses	\$9,843,417	\$8,919,587	\$9,563,705	\$8,974,192

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Approximately 88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 90 percent. The remaining 10 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund. The General Fund and Bond Retirement Debt Service Fund had revenues of \$8,445,496 and \$1,514,765, respectively, and expenditures of \$8,486,559 and \$1,461,594, respectively, resulting in a net decrease of \$41,063 in the fund balance of the General Fund and a net increase of \$53,171 in the fund balance of the Bond Retirement Debt Service Fund.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,595,104 while actual expenditures were \$8,500,983. The \$94,121 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the District had \$3,804,043 (net of accumulated depreciation) invested in capital assets for governmental activities.

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

**Debt**

At June 30, 2005, the District's long-term debt obligations, which include general obligation bonds payable, were \$1,984,697.

During the year ended June 30, 2005, the District issued \$1,005,000 of refunding bonds. The bonds were issued for a nine-year period, with final maturity on December 1, 2013. The bonds are being retired through the Bond Retirement Debt Service Fund. They were issued for current refunding of existing debt.

At June 30, 2005, the District's overall legal debt margin was \$9,652,933, with an un-voted debt margin of \$126,307.

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

**Current Issues**

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

The District is currently operating in the first year of the state biennium budget. 70 percent of District revenue sources are from local funds, 26 percent from state funds and the remaining 4 percent is from federal funds. The total expenditure per pupil was calculated at \$8,304.

In November 2002, the District passed a continuing operating levy to generate \$585,000 annually. In November 2004, voters approved a new 3.9 mill continuing operating levy to generate \$488,000 annually. These levies provide a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Net Assets  
June 30, 2005**

		<u>Governmental Activities</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	662,873
Materials and Supplies Inventory		2,987
Accounts Receivable		12,212
Intergovernmental Receivable		1,128
Taxes Receivable		6,122,894
Unamortized Bond Issuance Costs		61,304
Non-Depreciable Capital Assets		193,339
Depreciable Capital Assets, Net		<u>3,610,704</u>
Total Assets		<u>10,667,441</u>
 <b>LIABILITIES:</b>		
Accounts Payable		462
Accrued Wages and Benefits		842,146
Intergovernmental Payable		210,056
Matured Compensated Absences Payable		10,806
Deferred Revenue		5,400,097
Long-Term Liabilities:		
Due Within One Year		298,315
Due in More Than One Year		<u>2,825,053</u>
Total Liabilities		<u>9,586,935</u>
 <b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		1,394,867
Restricted for Debt Service		172,004
Restricted for Capital Outlay		57,394
Restricted for Other Purposes		77,415
Unrestricted		<u>(639,174)</u>
Total Net Assets	\$	<u><u>1,062,506</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,484,741	\$ 110,044	\$ 396,321	\$ 8,610
Special	1,052,047		146,429	(3,969,766)
Vocational	58,090			(905,618)
Other	107,342			(58,090)
				(107,342)
Support Services:				
Pupils	349,967		5,108	(344,859)
Instructional Staff	441,857		14,925	(426,932)
Board of Education	13,573			(13,573)
Administration	822,822		5,000	(817,822)
Fiscal	283,069			(283,069)
Operation and Maintenance of Plant	838,280			(838,280)
Pupil Transportation	317,075			(317,075)
Central	1,782			(1,782)
Operation of Non-Instructional Services	334,201	170,542	3,692	(159,967)
Extracurricular Activities	338,150	63,159		(274,991)
Capital Outlay	214,487			(214,487)
Debt Service:				
Interest and Fiscal Charges	185,934			(185,934)
<b>Totals</b>	<b>\$ 9,843,417</b>	<b>\$ 343,745</b>	<b>\$ 571,475</b>	<b>\$ 8,610</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				5,133,786
Property Taxes, Levied for Capital Outlay				222,537
Property Taxes, Levied for Debt Service				316,291
Grants and Entitlements Not Restricted to Specific Programs				3,120,031
Gifts and Donations				7,965
Investment Earnings				21,888
Miscellaneous				247,182
<b>Total General Revenues</b>				<b>9,069,680</b>
Change in Net Assets				150,093
Net Assets Beginning of Year				912,413
<b>Net Assets End of Year</b>				<b>\$ 1,062,506</b>

The Accompanying Notes are an Integral Part of These Financial Statements.



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 367,668	\$ 143,474	\$ 151,731	\$ 662,873
Materials and Supplies Inventory			2,987	2,987
Accounts Receivable	12,149		63	12,212
Intergovernmental Receivable			1,128	1,128
Taxes Receivable	5,644,925	240,313	237,656	6,122,894
<b>Total Assets</b>	<b>\$ 6,024,742</b>	<b>\$ 383,787</b>	<b>\$ 393,565</b>	<b>\$ 6,802,094</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 462			\$ 462
Accrued Wages and Benefits	794,932		47,214	842,146
Intergovernmental Payable	194,159		15,897	210,056
Matured Compensated Absences Payable	10,806			10,806
Deferred Revenue	5,313,539	222,678	222,705	5,758,922
	<b>6,313,898</b>	<b>222,678</b>	<b>285,816</b>	<b>6,822,392</b>
<b>Fund Balances (Deficit)</b>				
Reserved:				
Reserved for Encumbrances	27,698		27,725	55,423
Reserved for Property Taxes	331,386	17,635	16,079	365,100
Unreserved, Undesignated, Reported in:				
General Fund	(648,240)			(648,240)
Special Revenue Funds			39,251	39,251
Debt Service Funds		143,474		143,474
Capital Projects Funds			24,694	24,694
<b>Total Fund Balances (Deficit)</b>	<b>(289,156)</b>	<b>161,109</b>	<b>107,749</b>	<b>(20,298)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,024,742</b>	<b>\$ 383,787</b>	<b>\$ 393,565</b>	<b>\$ 6,802,094</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005**

Total Governmental Fund Balances	\$	(20,298)
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		61,304
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		3,804,043
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		358,825
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Bond Premium Obligation	(109,468)	
Compensated Absences Payable	(652,888)	
General Obligation Bonds Payable	(1,984,697)	
Capital Leases Payable	(376,315)	
	(3,123,368)	
Net Assets of Governmental Activities	\$	1,080,506

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 5,048,522	\$ 314,320	\$ 220,569	\$ 5,583,411
Intergovernmental	3,098,441	10,556	598,709	3,707,706
Interest	21,872		16	21,888
Tuition and Fees	9,319		18,501	27,820
Rent	1,590			1,590
Extracurricular Activities			143,793	143,793
Gifts and Donations	1,754		6,211	7,965
Customer Sales and Services			170,542	170,542
Miscellaneous	189,938		57,244	247,182
<b>Total Revenues</b>	<b>8,371,436</b>	<b>324,876</b>	<b>1,215,585</b>	<b>9,911,897</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,108,021		214,623	4,322,644
Special	685,146		364,673	1,049,819
Vocational	57,157			57,157
Other	107,342			107,342
Support Services:				
Pupils	342,811		5,108	347,919
Instructional Staff	444,903		16,085	460,988
Board of Education	13,573			13,573
Administration	798,499		9,979	808,478
Fiscal	271,313	3,459	3,843	278,615
Operation and Maintenance of Plant	808,018			808,018
Pupil Transportation	312,007			312,007
Central			1,782	1,782
Operation of Non-Instructional Services	947		331,651	332,598
Extracurricular Activities	245,815		94,148	339,963
Capital Outlay			142,145	142,145
Debt Service:				
Principal	66,284	1,322,000		1,388,284
Interest	18,000	136,135		154,135
<b>Total Expenditures</b>	<b>8,279,836</b>	<b>1,461,594</b>	<b>1,184,037</b>	<b>10,925,467</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>91,600</b>	<b>(1,136,718)</b>	<b>31,548</b>	<b>(1,013,570)</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	74,060	135,137	27,000	236,197
General Obligation Bonds Issued		1,005,000		1,005,000
Transfers Out	(206,723)		(151,292)	(358,015)
Accrued Interest Received on Debt Issuance		49,752		49,752
<b>Total Other Financing Sources and Uses</b>	<b>(132,663)</b>	<b>1,189,889</b>	<b>(124,292)</b>	<b>932,934</b>
<b>Net Change in Fund Balances</b>	<b>(41,063)</b>	<b>53,171</b>	<b>(92,744)</b>	<b>(80,636)</b>
Fund Balance (Deficit) at Beginning of Year - Restated	(248,093)	107,939	200,493	60,339
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ (289,156)</b>	<b>\$ 161,110</b>	<b>\$ 107,749</b>	<b>\$ (20,297)</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$	(80,636)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Issuance Costs on General Obligation Bonds	61,304	
Capital Outlay - Depreciable Capital Assets	63,319	
Depreciation	(249,691)	(125,068)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	(7,590)	
Delinquent Property Taxes	89,203	81,613
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
Bonds and notes	1,322,000	
Capital leases	66,284	1,388,284
Proceeds from refunding bond issue		(1,005,000)
<p>Some expenses reported on the statement of activities, such as compensated absences payable do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Premium on Issuance of General Obligation Bonds	(111,056)	
Amortization of Premium	1,587	
Accretion of Interest on Capital Appreciation Bonds	(33,386)	
Compensated Absences Payable	33,755	(109,100)
Change in Net Assets of Governmental Activities	\$	150,093

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 44,431	\$ 24,684
Total Assets	<u>44,431</u>	<u>24,684</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies	-	24,684
Total Liabilities	<u>-</u>	<u>24,684</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	44,431	-
Total Net Assets	<u>\$ 44,431</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2005**

		<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>		
Interest	\$	745
Miscellaneous		<u>2,463</u>
Total Additions		<u>3,208</u>
<b>DEDUCTIONS:</b>		
Payments in Accordance with Trust Agreements		<u>3,200</u>
Total Deductions		<u>3,200</u>
Change in Net Assets		8
Net Assets Beginning of Year		<u>44,423</u>
Net Assets End of Year	\$	<u><u>44,431</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

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

Northwood Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northwood Local School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 47 non-certified and 67 certified full-time teaching personnel who provide services to 983 students and other community members.

**The Reporting Entity**

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

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

The District is associated with four organizations, which are defined as jointly governed organizations or insurance purchasing pools. These organizations include the Penta County Joint Vocational School, Northern Ohio Educational Computer Association, Wood County Insurance Consortium, and Ohio School Board Association Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 15 and 16 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

(assets equal liabilities) and do not involve measurement of results of operations, and account for student managed activities. Trust funds are used to account for assets held by the District under a trust agreement with individuals, private organizations, or other governments and are therefore not available to support the District's own programs, and account for the High School Student Council Scholarship.

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**E. Budgetary Process**

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

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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, 2005.

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 2005 amounted to \$21,872 and \$16 to other District funds.

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.

**G. Inventory**

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

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

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

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

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

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**M. Net Assets**

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

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

**N. Fund Balance Reserves and Designations**

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

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

**O. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. At June 30, 2005, there were no interfund balances.

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

**P. Estimates**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**3. DEPOSITS AND INVESTMENTS**

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

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 that 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;
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;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training 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. Investments may only be made through specified dealers and institutions.

At year end, the District had \$115 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

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. As of June 30, 2005, the carrying amount of the District's deposits was \$234,570. At year end, \$79,775 of the District's bank balance of \$332,455 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, 2005, the District had \$497,303 invested in STAR Ohio.

Interest Rate Risk - 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% and be marked to market daily.

Credit Risk - STAR Ohio carries a rating of AAA 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. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

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 District has no policy which addresses custodial credit risk.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**4. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after November 1, 2004, on the assessed values as of January 1, 2004, 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 January 20; if paid semiannually, the first payment is due January 20, 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 2005 were levied after November 1, 2004, on the assessed values as of January 1, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied on January 1, 2005, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Wood County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2005, was \$331,386 in the General Fund, \$17,635 in the Debt Service Fund, \$16,079 in the Capital Projects Fund.



**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$64,001,980	51%	\$64,499,000	51%
Industrial/Commercial	37,465,940	30%	38,636,000	31%
Public Utility	4,093,200	3%	4,086,000	3%
Tangible Personal	19,605,846	16%	19,086,000	15%
Total Assessed Value	<u>\$125,166,966</u>	<u>100%</u>	<u>\$126,307,000</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$71.10		\$75.20	

**5. RECEIVABLES**

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Title I	\$744
Title II-D	381
Miscellaneous Federal	3
Total Intergovernmental Receivables	<u>\$1,128</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$6,737,813	\$334,219	\$0	\$7,072,032
Furniture, Fixtures, and Equipment	1,687,711	13,725	0	1,701,436
Vehicles	503,468	0	0	503,468
Total Depreciable Capital Assets	<u>8,928,992</u>	<u>347,944</u>	<u>0</u>	<u>9,276,936</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	3,982,427	127,413	0	4,109,840
Furniture, Fixtures, and Equipment	1,015,222	118,623	0	1,133,845
Vehicles	418,892	3,655	0	422,547
Total Accumulated Depreciation	<u>5,416,541</u>	<u>249,691</u>	<u>0</u>	<u>5,666,232</u>
Depreciable Capital Assets, Net	<u>3,512,451</u>	<u>98,253</u>	<u>0</u>	<u>3,610,704</u>
Land	193,339	0	0	193,339
Construction in Progress	266,625	0	(266,625)	0
Total Nondepreciable Capital Assets	<u>459,964</u>	<u>0</u>	<u>0</u>	<u>193,339</u>
Governmental Activities Capital Assets, Net	<u>\$3,972,415</u>	<u>\$98,253</u>	<u>(\$266,625)</u>	<u>\$3,804,043</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$77,106
Special	155
Vocational	563
Support Services:	
Pupil	1,773
Instructional Staff	1,373
Administration	8,715
Fiscal	3,636
Operation and Maintenance of Plant	10,184
Pupil Transportation	372
Non-Instructional Services	3,931
Extracurricular	1,947
Capital Outlay	139,935
Total Depreciation Expense	<u>\$249,690</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**7. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the District contracted with Indiana Insurance for property and general liability insurance with a \$32,380,424 limit. There is a \$2,500 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance covers the boiler and machinery with a \$2,500 deductible.

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

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

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

**B. Workers' Compensation**

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

**C. Employee Medical Benefits**

As of August 10, 1982, the District has contracted with the Wood County Insurance Consortium (Note 16) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution to a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board.

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**8. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone, financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$166,675, \$161,088, and \$166,583 respectively; 47 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$87,864.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$580,576, \$537,171, and \$515,339, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$93,596.

**9. POSTEMPLOYMENT BENEFITS**

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2005 and June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005 were \$178,221,113. At June 30, 2005, the Retirement System's net assets available for payment of health care benefits were \$267.5 million.

The number of participants currently receiving health care benefits is approximately 58,123.

The portion of employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .245, then adding the surcharge due as of June 30, 2005, as certified to the District by SERS. The District contributed \$62,300 to fund post employment benefits for the fiscal year ended June 30, 2005.

**10. COMPENSATED ABSENCES**

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

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

**11. CAPITALIZED LEASES DISCLOSURE**

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

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

Fixed assets acquired by lease have been capitalized in amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded. Principal payments in the 2005 fiscal year totaled \$84,284. This amount is reflected as debt service principal retirement in the general fund.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

The following is an analysis of the equipment under capital lease as of June 30, 2005:

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<b>General Long Term Obligations</b>		
	<b>Year Ending</b>	<b>Equipment</b>
	2006	\$87,900
	2007	82,924
	2008	77,431
	2009	77,547
	2010	75,908
	2011	16,349
Total Minimum Lease Payments		418,059
Less: Amount Representing Interest		(41,744)
Present Value of Future Minimum Lease Payments		\$376,315

**12. LONG-TERM OBLIGATIONS**

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

The following is a description of the District bonds outstanding as of June 30, 2005:

<b>Description</b>	<b>Interest Rates</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Original Amount</b>	<b>Retired In 2005</b>	<b>Outstanding 06/30/05</b>
General Obligation Bonds	5.3850	04/01/94	12/01/13	\$2,385,000	\$890,303	\$589,697
Refunding Bonds	5.2000	09/17/04	12/01/13	1,005,000	15,000	990,000
School Bus Bonds	5.5692	05/01/96	04/01/05	249,000	32,000	0
Permanent Improvement	5.6000	11/01/99	12/01/04	335,000	75,000	0
Energy Bond	5.8500	09/01/00	12/01/10	300,000	25,000	200,000
Energy Bond	5.7000	11/01/99	12/01/09	350,000	35,000	205,000
Totals				\$4,624,000	\$1,072,303	\$1,984,697

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

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

Year Ending June 30,	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2006	\$225,000	\$85,427	\$310,427
2007	235,000	72,626	307,626
2008	229,551	94,072	323,623
2009	225,146	98,631	323,777
2010	270,000	49,106	319,106
2011-2014	800,000	75,010	875,010
Total	<u>\$1,984,697</u>	<u>\$474,872</u>	<u>\$2,459,569</u>

During the year ended June 30, 2005, the following changes occurred in obligations reported in the government-wide financial statements:

	Balance at 06/30/04	Increase	Decrease	Balance at 06/30/05	Amount Due In one Year
General Obligation Bonds	\$1,696,311	\$33,386	\$1,140,000	\$589,697	\$150,000
Refunding Bonds	0	1,005,000	15,000	990,000	10,000
Premium on Refunding Bonds	0	111,055	1,587	109,468	0
School Bus Bonds	32,000	0	32,000	0	0
Permanent Improvement Bonds	75,000	0	75,000	0	0
Energy Bonds	230,000	0	25,000	205,000	30,000
Energy Bonds	235,000	0	35,000	200,000	35,000
Capital Leases Payable	442,599	0	66,284	376,315	73,315
Compensated Absences	686,643	652,888	686,643	652,888	0
Total Long-Term Obligations	<u>\$3,397,553</u>	<u>\$1,802,329</u>	<u>\$2,076,514</u>	<u>\$3,123,368</u>	<u>\$298,315</u>

Total expenditures for interest for the above debt for the period ended June 30, 2005 was \$136,135.

**Legal Debt Margin:**

The Ohio Revised Code provides that voted net general obligation debt of a district shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2005 are a voted debt margin of \$9,652,933 and an unvoted debt margin of \$126,307.

**13. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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



**NORTHWOOD LOCAL SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

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

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Balance as of June 30, 2004	(\$130,147)	
Current Year Set-aside Requirement	127,138	\$127,138
Qualifying Disbursements	( 93,373)	( 329,360)
Total	(\$ 96,382)	(\$202,222)
Balance Carried Forward to FY 2006	(\$ 96,382)	

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

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Penta County Joint Vocational School**

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

**B. Northern Ohio Educational Computer Association**

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of 42 educational entities, primarily school districts, located in Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. During fiscal year 2005, the District paid \$39,540 in assessments to the consortium. Financial information can be obtained from Erie-Ottawa County Educational Service Center, from Betty Schwiesert, who serves as Treasurer, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**15. GROUP PURCHASING POOLS**

**A. Wood County Insurance Consortium**

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

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

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

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

**16. SCHOOL FUNDING DECISION**

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

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

**17. CONTINGENCIES**

**A. Grants**

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**B. Litigation**

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

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Notes to the Basic Financial Statements, Continued  
For the Fiscal Year Ended June 30, 2005**

**18. CHANGE IN ACCOUNTING PRINCIPLE**

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

**19. RESTATEMENT OF FUND BALANCES AND NET ASSETS**

The District has implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of this Bulletin had the following effect on fund balance of the General fund as previously reported at June 30, 2004:

	General Fund
Fund Balance, June 30, 2004	(\$183,326)
GASB Technical Bulletin No. 2004-02	(64,767)
Restated Fund Balance, June 30, 2004	(\$248,093)

The carrying amount reported in prior years for the 1994 General Obligation Bonds was noted as excluding the effect of the accretion of interest on the capital appreciation component of the bond series.

The correction of this error had the following effect on net assets as previously reported at June 30, 2004:

	Net Assets
Net Assets, June 30, 2004	\$1,128,724
Correction of Error	(216,311)
Restated Net Assets, June 30, 2004	\$912,413

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 4,834,395	\$ 5,077,531	\$ 5,204,920	\$ 127,389
Intergovernmental	3,207,276	3,207,276	3,098,441	(108,835)
Interest	15,800	15,800	21,872	6,072
Tuition and Fees	10,600	10,600	9,319	(1,281)
Rent	1,300	1,300	1,590	290
Gifts and Donations	2,000	2,000	1,754	(246)
Miscellaneous	238,775	238,775	169,929	(68,846)
Total Revenues	<u>8,310,146</u>	<u>8,553,282</u>	<u>8,507,825</u>	<u>(45,457)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,285,840	4,248,327	4,199,571	48,756
Special	653,550	729,625	728,666	959
Vocational	57,203	56,045	55,705	340
Other	72,028	107,342	107,342	-
Support Services:				
Pupils	344,273	342,384	339,353	3,031
Instructional Staff	452,643	445,759	441,537	4,222
Board of Education	12,508	14,116	14,073	43
Administration	808,088	807,856	793,689	14,167
Fiscal	264,857	273,090	270,141	2,949
Operation and Maintenance of Plant	820,096	849,705	842,365	7,340
Pupil Transportation	320,333	322,126	312,351	9,775
Operation of Non-Instructional Services	883	954	947	7
Extracurricular Activities	244,500	251,829	249,429	2,400
Total Expenditures	<u>8,336,802</u>	<u>8,449,158</u>	<u>8,355,169</u>	<u>93,989</u>
Excess of Revenues Over (Under) Expenditures	<u>(26,656)</u>	<u>104,124</u>	<u>152,656</u>	<u>48,532</u>
Other Financing Sources and Uses:				
Transfers In	74,060	74,060	74,060	-
Proceeds from Sale of Fixed Assets	250	250	-	(250)
Refund of Prior Year Expenditures	7,000	7,000	8,890	1,890
Transfers Out	(120,912)	(145,946)	(145,814)	132
Total Other Financing Sources and Uses	<u>(39,602)</u>	<u>(64,636)</u>	<u>(62,864)</u>	<u>1,772</u>
Net Change in Fund Balances	(66,258)	39,488	89,792	50,304
Fund Balance (Deficit) at Beginning of Year	164,855	164,855	164,855	-
Prior Year Encumbrances Appropriated	84,857	84,857	84,857	-
Fund Balance (Deficit) at End of Year	<u>\$ 183,454</u>	<u>\$ 289,200</u>	<u>\$ 339,504</u>	<u>\$ 50,304</u>

**NORTHWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance – Budget (Non-GAAP Basis) and Actual  
GENERAL FUND (CONTINUED)  
For the Fiscal Year Ended June 30, 2005**

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

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

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	(\$41,063)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	565,985
Accrued FY 2005, Not Yet Received in Cash	(352,425)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,063,794)
Accrued FY 2005, Not Yet Paid in Cash	1,009,249
Encumbrances Outstanding at Year End (Budget Basis)	(28,160)
Budget Basis	\$89,792

**NORTHWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Grantor Program Titles</u>	<u>Project Number</u>	<u>CFDA Number</u>	<u>Program Award Amount</u>	<u>Grant Receipts</u>	<u>Non Cash Awards</u>	<u>Grant Expenditures</u>	<u>Non Cash Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>							
Pass through Ohio Department of Education:							
Title I Targeted Assistance	50716C1-S1-04	84.010	\$154,688	\$ -0-		\$ 5,828	
	50716C1-S1-05	84.010	<u>154,933</u>	<u>154,189</u>		<u>145,672</u>	
			309,621	154,189		151,500	
Title V Innovative Programs	50716C2-S1-04	84.298	5,391	-0-		1,085	
	50716C2-S1-05	84.298	<u>4,089</u>	<u>4,086</u>		<u>3,743</u>	
			9,480	4,086		4,828	
Special Education Part B - IDEA	50716B-SF05	84.027	209,413	209,413		209,413	
Title IV Safe and Drug Free Schools	50716DR-S1-05	84.186	5,108	5,108		5,108	
Title II-D Technology	50716TJ-S1-04	84.318	3,299	1,592		1,861	
	50716TJ-S1-05	84.318	<u>3,893</u>	<u>3,893</u>		<u>2,060</u>	
			7,192	5,485		3,921	
Title II-A Improving Teacher Quality	50416TR-S1-04	84.367	46,415	-0-		5,378	
	50416TR-S1-05	84.367	<u>40,179</u>	<u>39,992</u>		<u>39,849</u>	
			<u>86,594</u>	<u>39,992</u>		<u>45,227</u>	
TOTAL DEPARTMENT OF EDUCATION			627,408	418,273		419,997	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Pass through Ohio Department of Education:							
<u>Child Nutrition Cluster</u>							
National School Lunch Program	5071604-PU-00	10.555		97,546		97,546	
National School Breakfast Program	5071605-PU-00	10.553		3,692		3,692	
Food Donation Program		10.550		<u>-0-</u>	<u>9,882</u>	<u>-0-</u>	<u>9,882</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>101,238</u>	<u>9,882</u>	<u>101,238</u>	<u>9,882</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS				<u>\$ 519,511</u>	<u>\$ 9,882</u>	<u>\$ 521,235</u>	<u>\$ 9,882</u>

**NOTE – FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U. S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwood Local School District as of and for the year ended June 30, 2005, which collectively comprise the Northwood Local School District's basic financial statements, and have issued our report thereon dated January 30, 2006, in which we noted that the District has adopted GASB Technical Bulletin 2004-02 *Recognition of Pension and Other Post Employment Benefit Expenditures / Expense and Liabilities by Cost Sharing Employers*. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted a certain matter that we reported to the management of the District in a separate letter dated January 30, 2006.

Board of Education  
Page Two

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

*Webster O'Brien Ltd*

January 30, 2006





## **weber • obrien ltd.**

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

#### Compliance

We have audited the compliance of Northwood Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Board of Education  
Page Two

This report is intended solely for the information of and use of the District's Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Webb J. Brin Ltd.*

January 30, 2006

**NORTHWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_X_ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes	_X_ none reported
Noncompliance material to financial statements noted?	_____ yes	_X_ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	_X_ no
Reportable conditions(s) identified not considered to be material weaknesses?	_____ yes	_X_ none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	_X_ no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Targeted Assistance
84.027	Special Education Part B – IDEA

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low risk auditee?	_____ yes	_X_ no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**NORTHWOOD LOCAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2005**

NONE



**Auditor of State  
Betty Montgomery**

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**NORTHWOOD LOCAL SCHOOL DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 30, 2006**