

**NORTHERN LOCAL SCHOOL DISTRICT**  
**SOUTHEAST REGION, PERRY COUNTY**  
**SINGLE AUDIT**  
July 1, 1998 - June 30, 1999  
**FISCAL YEAR AUDITED UNDER GAGAS: 1999**



*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

**Northern Local School District  
Perry County**

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Northern Local School District  
Perry County

ELECTED OFFICIALS  
as of  
June 30, 1999

<u>Title/Name</u>	<u>Term of Office</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<b>BOARD OF EDUCATION</b>				
<u>President</u>				
Thomas Walser	1/1/98 to 12/31/01	(A)	\$20,000	1/01/99 to 1/01/2000
<u>Vice-President</u>				
Richard Winegardner	1/01/96 to 12/31/99	(A)	\$20,000	1/01/99 to 1/01/2000
<u>Members</u>				
Richard France	1/01/98 to 12/31/01	(A)	\$20,000	1/01/99 to 1/01/2000
Michael Pettit	1/01/98 to 12/31/01	(A)	\$20,000	1/01/99 to 1/01/2000
Sue Ellen Simmons	1/01/96 to 12/31/99	(A)	\$20,000	1/01/99 to 1/01/2000

Entity Address

Northern Local School District  
8700 Sheridan Road NW  
Thornville, Ohio 43076

Legal Counsel

Joseph A. Flautt  
Prosecuting Attorney  
Peoples National Bank Building  
New Lexington, Ohio 43764

Scott, Scriven & Wahoff LLP  
2500 Leveque Tower  
50 West Broad Street  
Columbus, Ohio 43215

(A) The Ohio Casualty Insurance Company

Northern Local School District  
Perry County

ADMINISTRATIVE PERSONNEL  
as of  
June 30, 1999

<u>Title/Name</u>	<u>Contract Period</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<u>Superintendent</u>				
Jack E. Porter	8/01/95 to 7/31/03	(A)	\$20,000	1/01/99 to 1/01/2000
<u>Treasurer</u>				
Elizabeth Arnold	1/01/99 to Organizational Meeting 2003	(B)	\$100,000	1/01/99 to 1/01/2000

(A) Ohio Casualty Insurance Company  
(B) Hartford Insurance Company

Northern Local School District  
Perry County

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund

General Fund  
Budget Reserve  
General Bus Purchase

Special Revenue Funds

Local Funds

Public School Support Fund  
District Managed Activity (Athletics) Fund  
Auxiliary (non-public) Services Fund

State Funds

Disadvantaged Pupil Program Fund  
Educational Management Information Systems Fund  
Disadvantaged Pupil Impact Aid Program Fund  
Miscellaneous State Grant Fund  
Professional Development Block Grant  
Martha Holden Jennings Foundation  
Wellness Grant  
Conflict Management Grant

Federal Funds

Dwight D. Eisenhower, Mathematics and Science Education Act Fund  
Title VI-B, Special Education Assistance to States for Education of Handicapped Children Fund  
Vocational Education Fund  
Title I Grants to Local Educational Agency Fund  
Title VI Innovative Education Program Strategy Fund  
Intervention Grant Fund (Goals 2000)  
Venture Capital Grant Fund

Debt Service Fund

Bond Retirement Fund

Capital Project Funds

Permanent Improvement Fund  
School Net Plus Grant  
Technology Equity Grant  
H.B. 264 Project

PROPRIETARY FUND TYPES

Enterprise Funds

Food Service Fund  
Uniform School Supplies Fund

Internal Service Fund

Employee Benefits Self-Insurance Fund

FIDUCIARY FUND TYPES

Non-expendable Trust Fund

Endowment (Scholarship) Funds

Agency Funds

Student Managed Activity Fund



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

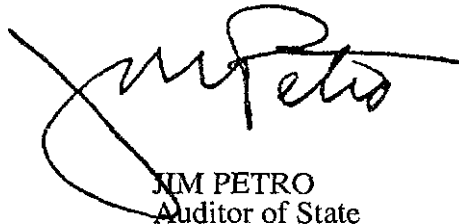
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Board of Education  
Northern Local School District  
Thornville, Ohio 43076

We have reviewed the Independent Auditor's Report of the Northern Local School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 1998 through June 30, 1999. 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 Northern Local School District is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

January 11, 2000

Board of Education  
Northern Local School District  
Thornville, Ohio 43076



Independent Auditors' Report

We have audited the accompanying financial statements of Northern Local School District, Perry County, (the District) as of and for the year ended June 30, 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note A, the District prepares its financial statements on the basis of accounting formally presented or permitted by the Auditor of the State of Ohio, which is a comprehensive basis of accounting formally other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Wilson, Shannon & Snow, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

This report is intended solely for the information and use of the audit committee, management, the Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
September 9, 1999



Northern Local School District  
Perry County

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH BALANCES -  
ALL FUND TYPES

June 30, 1999

Cash in banks	\$ 223,402	
Less outstanding checks	<u>(198,105)</u>	\$ 25,297
Investments		38,000
Certificates of deposit		<u>2,447,000</u>
Total		<u>\$ 2,510,297</u>

CASH BALANCES BY FUND TYPE

Governmental Funds		
General	\$ 1,271,715	
Special Revenue	308,613	
Debt Service	-	
Capital Projects	<u>638,684</u>	\$ 2,219,012
Proprietary Funds		
Enterprise	30,793	
Internal Service	<u>173,819</u>	204,612
Fiduciary Funds		
Non-expendable Trust	52,141	
Agency	<u>34,532</u>	<u>86,673</u>
Total		<u>\$ 2,510,297</u>

The accompanying notes are an integral part of this statement.

Northern Local School District  
Perry County

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
AND EXPENDABLE TRUST FUND TYPES

Year ended June 30, 1999

	Governmental Fund Types	
	General	Special Revenue
Receipts		
Local sources		
Taxes	\$ 2,736,783	\$ -
Earnings on investments	133,947	-
Extracurricular activities	-	316,768
Class room materials and fees	52,304	-
Miscellaneous	50,217	14,714
Intermediate sources		
Unrestricted Grants-in-Aid	-	13,000
Restricted Grants-in-Aid	-	7,048
Revenue on behalf of the District	3,216	-
State sources		
Unrestricted Grants-in-Aid	7,969,043	51,126
Restricted Grants-in-Aid	155,528	155,178
Revenue for/on behalf of the District	43,309	-
Federal sources		
Restricted Grants-in-Aid	-	562,854
Total receipts	<u>11,144,347</u>	<u>1,120,688</u>
Disbursements		
Instruction		
Regular	4,601,324	206,931
Special	620,302	351,092
Vocational Education	285,591	4,312
Other instruction	162,187	-
Supporting services		
Pupils	532,561	107,717
Instructional staff	453,483	23,666
Board of Education	388,932	-
Administration	848,102	3,829
Fiscal services	320,140	-
Business	17,553	-
Operation and maintenance - plant	925,307	-
Pupil transportation	794,464	-
Central	-	6,492
Operation of non-instruction services		
Community services	-	82,134
Extracurricular activities		
Academic and subject oriented activities	49,350	117,534
Sports oriented	104,255	116,040
Co-curricular activities	-	69,820
Facilities acquisition and construction services		
Site acquisition	115,543	-
Site improvement	168,749	-
Architecture and engineering	-	-
Building acquisition and construction	239,134	-
Building improvement	-	-
Debt service		
Repayment of debt	-	-
Total disbursements	<u>10,626,977</u>	<u>1,089,567</u>

Governmental Fund Types		Total
Debt Service	Capital Projects	(Memorandum Only)
\$ -	\$ 467,315	\$ 3,204,098
-	-	133,947
-	-	316,768
-	-	52,304
-	-	64,931
-	-	13,000
-	-	7,048
-	-	3,216
-	49,178	8,069,347
-	129,218	439,924
-	-	43,309
-	-	562,854
-	645,711	12,910,746
-	37,133	4,845,388
-	-	971,394
-	-	289,903
-	-	162,187
-	-	640,278
-	-	477,149
-	-	388,932
-	33	851,964
-	15,102	335,242
-	-	17,553
-	17,861	943,168
-	-	794,464
-	-	6,492
-	-	82,134
-	-	166,884
-	-	220,295
-	-	69,820
-	-	115,543
-	-	168,749
-	47,534	47,534
-	435,179	674,313
-	188,724	188,724
<u>92,573</u>	<u>405,103</u>	<u>497,676</u>
<u>92,573</u>	<u>1,146,669</u>	<u>12,955,786</u>

**Northern Local School District**  
**Perry County**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
AND EXPENDABLE TRUST FUND TYPES - CONTINUED**

Year ended June 30, 1999

	Governmental Fund Types	
	General	Special Revenue
Excess of receipts over (under) disbursements	\$ 517,370	\$ 31,121
Other financing (uses) sources		
Note proceeds	-	-
Proceeds from sale of assets	2,929	-
Transfers - in	-	-
Transfers - out	-	(5,512)
Advances - in	-	-
Advances - out	(65,682)	-
Refund of prior year expenditures	58,385	-
Refund of prior year receipts	(296)	-
Total other financing (uses) sources	(4,664)	(5,512)
Excess of receipts and other financing sources over (under) disbursements and other financing (uses)	512,706	25,609
Fund balances, July 1, 1998	759,009	283,004
Fund balances, June 30, 1999	\$ 1,271,715	\$ 308,613

<u>Governmental Fund Types</u>		<u>Total</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
(92,573)	\$ (500,958)	\$ (45,040)
-	540,000	540,000
-	-	2,929
-	-	-
-	-	(5,512)
-	65,682	65,682
-	-	(65,682)
-	-	58,385
-	-	(296)
-	<u>605,682</u>	<u>595,506</u>
(92,573)	104,724	550,466
<u>92,573</u>	<u>533,960</u>	<u>1,668,546</u>
<u>\$ -</u>	<u>\$ 638,684</u>	<u>\$ 2,219,012</u>

The accompanying notes are an integral part of this statement.

**Northern Local School District**  
**Perry County**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
 AND AGENCY FUND TYPES**

Year ended June 30, 1999

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating receipts		
Food services	\$ 320,716	\$ -
Extracurricular activities	-	-
Miscellaneous	-	-
	320,716	-
Total operating receipts		-
Operating disbursements		
Personal services - salaries	199,546	-
Employees' retirement and insurance	71,227	-
Purchased services	13,127	984,267
Supplies and materials	203,672	-
Capital outlay	1,444	-
Miscellaneous	1,075	-
	490,091	984,267
Total operating disbursements		984,267
Excess of operating receipts (under) over operating disbursements	(169,375)	(984,267)
Non-operating receipts		
Taxes	1,425	-
Miscellaneous	-	699,930
Unrestricted Grants-in-Aid - state	11,798	-
Unrestricted Grants-in-Aid - federal	165,603	-
	178,826	699,930
Total non-operating receipts		699,930
Operating transfers - in	-	-
Net income (loss)	9,451	(284,337)
Fund balances, July 1, 1998	21,342	458,156
Fund balances, June 30, 1999	\$ 30,793	\$ 173,819

Fiduciary Fund Type		Total (Memorandum Only)
Non-expendable Trust	Agency	
\$ -	\$ -	\$ 320,716
-	77,047	77,047
<u>7,931</u>	-	<u>7,931</u>
7,931	77,047	405,694
-	-	199,546
-	-	71,227
-	-	997,394
-	-	203,672
-	-	1,444
<u>600</u>	<u>72,158</u>	<u>73,833</u>
600	72,158	1,547,116
7,331	4,889	(1,141,422)
-	-	1,425
-	-	699,930
-	-	11,798
<u>-</u>	<u>-</u>	<u>165,603</u>
-	-	878,756
<u>5,512</u>	<u>-</u>	<u>5,512</u>
12,843	4,889	(257,154)
<u>39,298</u>	<u>29,643</u>	<u>548,439</u>
<u>\$ 52,141</u>	<u>\$ 34,532</u>	<u>\$ 291,285</u>

The accompanying notes are an integral part of this statement.

Northern Local School District  
Perry County

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL

Year ended June 30, 1999

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 11,622,711	\$ 11,205,661	\$ (417,050)
Special Revenue	1,131,654	1,120,688	(10,966)
Debt Service	394,833	-	(394,833)
Capital Projects	1,251,261	1,185,711	(65,550)
Proprietary			
Enterprise	498,614	499,542	928
Internal Service	699,930	699,930	-
Fiduciary			
Trust and Agency	<u>90,321</u>	<u>90,490</u>	<u>169</u>
Total (Memorandum Only)	<u>\$ 15,689,324</u>	<u>\$ 14,802,022</u>	<u>\$ (887,302)</u>

The accompanying notes are an integral part of this statement.



**Northern Local School District**  
**Perry County**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED  
WITH EXPENDITURE AUTHORITY**

Year ended June 30, 1999

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Fiscal Year Appropriations</u>	<u>Total</u>
Governmental			
General	\$ 335,085	\$ 11,103,896	\$ 11,438,981
Special Revenue	72,252	1,300,498	1,372,750
Debt Service	92,573	-	92,573
Capital Projects	161,257	1,624,096	1,785,353
Proprietary			
Enterprise	918	514,913	515,831
Internal Service	-	1,108,156	1,108,156
Fiduciary			
Trust and Agency	932	134,002	134,934
Total (Memorandum Only)	<u>\$ 663,017</u>	<u>\$ 15,785,561</u>	<u>\$ 16,448,578</u>

<u>Fiscal Year Disbursements</u>	<u>Encumbrances Outstanding at June 30, 1999</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 10,627,273	\$ 301,944	\$ 10,929,217	\$ 509,764
1,095,079	67,731	1,162,810	209,940
92,573	-	92,573	-
1,146,669	117,694	1,264,363	520,990
490,091	3,922	494,013	21,818
984,267	-	984,267	123,889
<u>72,758</u>	<u>4,350</u>	<u>77,108</u>	<u>57,826</u>
<u>\$ 14,508,710</u>	<u>\$ 495,641</u>	<u>\$ 15,004,351</u>	<u>\$ 1,444,227</u>

The accompanying notes are an integral part of this statement.

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS**

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

The Northern Local School District is a political subdivision established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 2,236. The District employed 151 certificated employees and 85 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State of Ohio.

Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting - Continued

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**GOVERNMENTAL FUNDS**

General Fund

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

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute (House Bill 412 and 770) and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**PROPRIETARY FUNDS**

Enterprise Funds

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

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**FIDUCIARY FUNDS**

Non-Expendable Trust and Agency Funds

These funds are used to account for assets held by a governmental unit in a trustee capacity for individuals, private organizations, other funds and/or governmental units. These include Non-Expendable Trust Funds and Agency Funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**BUDGETARY PROCESS**

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

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BUDGETARY PROCESS - CONTINUED**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not included in the budget since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Perry County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provision.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, Plant and Equipment

Fixed assets acquired by or constructed for the District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

Accumulated Unpaid Vacation Leave, Sick Leave and Personal Leave

Accumulated unpaid sick leave and personal leave are not accrued under the cash basis of accounting described in Note A. At June 30, 1999, management estimates that \$4,305,840 in sick leave and \$9,729 in personal leave have been accumulated by the employees of the District. All leave will be absorbed either by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 1999.

The District does not currently estimate vacation leave for its administrative employees, thus it is unknown what this obligation would be at June 30, 1999.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. During fiscal year 1999, investments were limited to repurchase agreements, bank certificates of deposits, and interest bearing accounts. All investments of the School District had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute, and in conjunction with the District policies.

Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amount required by statute to be set aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note I for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.



**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE B - DEPOSITS AND INVESTMENTS**

Investments

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

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

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

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

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;

**Northern Local City School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED**

Investments - Continued

3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

Category 1 - Investments that are insured or registered, or securities held by the District or its agent in the District's name.

Category 2 - Investments that are insured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 - Investments that are uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the District's name.

Northern Local City School District  
Perry County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

Investments - Continued

Based on the above criteria, the District's investments at June 30, 1999 are classified as follows:

Investments:	Category			Carrying Amount	Market Value (Includes Accrued Interest)
	1	2	3		
Repurchase agreement	\$ -	\$ 38,000	\$ -	\$ 38,000	\$ 38,000

At fiscal year end, the carrying amount of the School District's deposits was \$25,297 and the actual bank balance was \$223,402. Of the bank balance, \$140,000 was covered by federal depository insurance and \$83,402 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

NOTE C - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - PROPERTY TAXES - CONTINUED

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Perry, Fairfield and Licking Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The full tax rate applied to real property for tax year 1999 was \$32.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$23.62 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$26.34 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amounts of these homestead and rollback reductions are reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 1999 was \$32.80 per \$1,000 of assessed valuation.

Real Property - Current Valuation	
Residential/Agricultural	\$112,992,030
Commercial Industrial	7,035,130
Minerals	1,762,970
Public Utilities	66,730
Tangible Personal Property	
General	4,484,600
Public Utilities	<u>25,467,680</u>
Total Valuation	<u>\$151,809,140</u>

The County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically remits to the taxing districts their portion of the tax collected.

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE D - DEBT OBLIGATIONS**

Debt outstanding at June 30, 1999 consisted of the following:

Permanent Improvement Tax Anticipation Notes	
Principal Outstanding, due 1999	\$395,000
Interest Rate	5.20%
School Energy Conservation Bonds	
Principal Outstanding, due 2000	\$ 90,000
Interest Rate	4.40%
School Energy Conservation Bonds	
Principal Outstanding, due 1999-2008	\$540,000
Interest Rate	4.35 to 4.50%

Outstanding Permanent Improvement Tax Anticipation Notes consist of school building renovation issues. Permanent improvement tax anticipation notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property within the District.

School Energy Conservation Bonds were issued in 1990 and 1998 and the proceeds were used to acquire and install equipment and other improvements for energy conservation purposes. These bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property within the District, provided, however, that in each year to the extent that funds are available from other sources, including savings generated by energy conservation measures instituted by the District, the amount of such tax shall be reduced by the amount of such funds so available.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - DEBT OBLIGATIONS - CONTINUED

The annual principal requirements to amortize all outstanding debt as of June 30, 1999, are as follows:

<u>Year ending June 30</u>	<u>Permanent Improvement Notes</u>	<u>Energy Conservation Loans</u>	<u>Total</u>
2000	\$395,000	\$105,000	\$ 500,000
2001	-	15,000	15,000
2002	-	55,000	55,000
2003	-	55,000	55,000
2004	-	60,000	60,000
Thereafter	-	<u>340,000</u>	<u>340,000</u>
Total	<u>\$395,000</u>	<u>\$630,000</u>	<u>\$1,025,000</u>

NOTE E - LEASE OBLIGATIONS

The District entered into several capital lease purchase agreements for the purchase of modular classrooms. In all leases, the District has the option to purchase the assets for \$1 at the end of the lease. The annual requirements to amortize these leases as of June 30, 1999 are as follows:

<u>Year ending June 30</u>	<u>Payments</u>
2000	\$21,501
2001	<u>17,091</u>
	38,592
Less amounts representing interest	<u>2,277</u>
Total	<u>\$36,315</u>

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE E - LEASE OBLIGATIONS - CONTINUED**

In addition, the District entered into several operating leases for office equipment. The annual requirements to amortize these leases as of June 30, 1999 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2000	\$ 94,840
2001	92,630
2002	92,430
2003	<u>7,703</u>
Total future minimum lease payments	<u>\$287,603</u>

Amounts paid for operating leases for the year ended June 30, 1999 were \$94,840.

**NOTE F - RISK MANAGEMENT**

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. During fiscal year ending June 30, 1999, the District contracted with various insurance companies for property and general liability insurance, including criminal, mechanical, electrical and pressure equipment, inland marine, and fleet coverage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based upon accident history and administrative costs.

The District has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an Internal Service Fund where assets are set aside for claim settlements. Mutual Health Services, Inc., acts as a third party to administer the activity. A premium is charged to each fund that accounts for part-time or full-time employees. The total charge allocated to each of the funds (the allocation is based upon the percentages of each fund's current-year payroll as it relates to total payroll of the District) is calculated using trends in actual claims experience.

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE G - RETIREMENT SYSTEMS**

School Employees Retirement System

The Northern Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute nine (9) percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is fourteen (14) percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$215,004, \$225,085, and \$217,736, respectively.

State Teachers Retirement System

The Northern Local School 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.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$761,040, \$775,883 and \$735,104, respectively.



**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE G - RETIREMENT SYSTEMS - CONTINUED**

Post Employment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$122,859 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156,000. For the year ended June 30, 1998, net health costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$342,468.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE G - RETIREMENT SYSTEMS - CONTINUED

Post Employment Benefits - Continued

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139,900,000. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160,300,000. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE H - LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Revised Code, we performed tests of compliance with various provisions of local, state, and/or federal laws, as appropriate. The Auditors' material compliance findings are included in a separate part of this presentation.

NOTE I - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbook</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ -	\$ -	\$ 59,192	\$ 59,192
Current year set-aside requirement	150,196	150,196	75,098	375,490
Current year offsets	(46,736)	(516,413)	-	(563,149)
Qualifying disbursements	<u>(295,655)</u>	<u>(486,228)</u>	<u>-</u>	<u>(781,883)</u>
Set-aside cash balance as of June 30, 1999 (cannot be a negative amount)	<u>\$ -</u>	<u>\$ -</u>	<u>\$134,290</u>	<u>\$134,290</u>

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE I - SET-ASIDE CALCULATIONS AND FUND RESERVES - CONTINUED**

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and therefore not presented.

**NOTE J - CONTINGENCIES**

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

School Funding Decision

On March 24, 1997, the Ohio Supreme Court tendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$7,905,898 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

**NOTE K - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

**Northern Local School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE K - YEAR 2000 ISSUE – CONTINUED**

The School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS). The District has several school buildings with power systems, which have extensive efficiency utilization measures within the systems.

The District uses the Ace School Accounting System software for its financial reporting, and Ace School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

Perry County distributes a substantial sum of money to the District in the form of taxes. The County is responsible for remediating these systems and any associated costs.

The School District currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

Northern Local School District  
Perry County

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

Year ended June 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
Passed through Ohio Department of Education						
Nutrition Cluster -						
National School Lunch	4PU-98	10.555	\$ 165,603	\$ -	\$ 165,603	\$ -
Food Distribution Program		10.550	-	30,646	-	29,962
Total U.S. Department of Agriculture			165,603	30,646	165,603	29,962
<b>U.S. Department of Education</b>						
Passed through Ohio Department of Education						
Educationally Deprived Children						
Title I	C1-S1-98	84.010	394,472	-	346,214	-
Handicapped - State Grants						
Title VI-B	GB-SF-98	84.027	133,268	-	108,651	-
Intervention/Venture Capital Grants						
Title VI	G2-S2-98	84.276	10,000	-	-	-
Title VI						
	C2-S1-98	84.298	9,480	-	12,205	-
Vocational Education						
		84.048	4,312	-	4,312	-
Eisenhower						
		84.281	11,322	-	3,218	-
Total U.S. Department of Education			562,854	-	474,600	-
Total Federal Assistance			\$ 728,457	\$ 30,646	\$ 640,203	\$ 29,962

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

**Northern Local School District  
Perry County**

Fiscal year ended June 30, 1999

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – 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. At June 30, 1999, the District had no significant food commodities in inventory.



**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  
Northern Local School District  
Thornville, Ohio 43076

**Compliance**

We have audited the compliance of Northern Local School District (the 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, 1999. The District's major federal program is 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 its major federal program 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 generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 its major federal program for the year ended June 30, 1999.

**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.

*Wilson, Shannon & Snow, Inc.*

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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 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.

We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 9, 1999.

This report is intended for the information and use of management, Board of Education 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.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
September 9, 1999





**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Education  
Northern Local School District  
Thornville, Ohio 43076

We have audited the financial statements of the District as of and for the year ended June 30, 1999 and have issued our report thereon dated September 9, 1999, wherein we noted the District continues to use the cash basis of accounting formally prescribed by the Auditor of the State of Ohio rather than generally accepted accounting principles, which are now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs on page 38.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 9, 1999.

**Internal Control Over Financial Reporting**

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

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However, we noted other matters involving the internal control over financial reporting which we have reported to the management of the District in a separate letter dated September 9, 1999.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Wilson, Sherman & Snow, Inc.*

Newark, Ohio  
September 9, 1999

**Northern Local School District  
Perry County**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 1999

**Section I - Summary of auditors' results:**

1. Unqualified opinion issued on financial statements.
2. There were no reportable conditions noted in the internal control structure.
3. There was one instance of material noncompliance with the Ohio Revised Code concerning cash basis accounting (See 1999-1).
4. There were no reportable conditions noted below in the internal control over major programs.
5. Unqualified opinion issued on compliance for major programs.
6. There were no other audit findings required to be reported.
7. Major programs included the National School Lunch Program Cluster.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee did qualify as a low risk auditee.

**Section II - Findings Related to Financial Statements Reported under GAGAS**

- 1999 - 1.** Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Section III - Findings Related to Federal Awards**

- 1999 - 2.** None

**Northern Local School District  
Perry County**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

June 30, 1999

The results of prior year tests disclosed two material instances of noncompliance that were required to be reported under *Government Auditing Standards* described below:

- 1998 - 1.** Section 5705.41(B), Revised Code, prohibits a political subdivision or taxing unit from *expending or encumbering, money unless it has appropriated.*

The Bond Retirement Fund expenditures and encumbrances exceeded the amount appropriated by \$314,355. The entire underappropriation was caused by outstanding encumbrances of \$487,405. Actual disbursements, however, were not in excess of appropriations.

Expenditures and encumbrances did not exceed appropriations for these funds for the year ended June 30, 1999.

- 1998 - 2.** Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles, unless a waiver is granted by the Auditor of the State of Ohio.

The District prepared its annual financial report on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, without receiving a waiver from the Auditor of the State of Ohio. The financial statements omitted assets, liabilities, fund equities, and disclosures that, while material, could not be determined at that time. The District can be fined and various legal administrative remedies may be taken against the District by the State of Ohio.

The District still has not been granted a waiver from the State of Ohio and is continuing to prepare its financial statements on the cash basis of accounting.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NORTHERN LOCAL SCHOOL DISTRICT

PERRY 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.

By: Susan Babbitt

Date: JAN 25 2000