



**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Northmor Local School District
Morrow County
5427 County Road 29
Galion, Ohio 44833

To the Board of Education:

We have audited the accompanying general purpose financial statements of Northmor Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Northmor Local School District, Morrow County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2000, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State of Ohio

December 4, 2000

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NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits								
Assets:								
Equity in Pooled Cash and Cash Equivalents	\$1,452,789	\$170,274	\$65,297	\$24,147	\$27,512			\$1,740,019
Receivables (Net of Allowances of Uncollectibles):								
Taxes - Current & Delinquent	3,577,293							3,577,293
Accrued Interest	6,743							6,743
Due From Other Governments	1,100	52,358						53,458
Interfund Loan Receivable	1,700							1,700
Prepayments	11,763							11,763
Materials and Supplies Inventory	4,217			7,224				11,441
Restricted Assets:								
Equity in Pooled Cash and Cash Equivalents	159,058							159,058
Property, Plant and Equipment (Net of Accumulated Depreciation Where Applicable)				12,489		\$4,348,358		4,360,847
Other Debits:								
Amount To Be Provided For Retirement Of General Long-Term Obligations							\$637,838	637,838
Total Assets And Other Debits	\$5,214,663	\$222,632	\$65,297	\$43,860	\$27,512	\$4,348,358	\$637,838	\$10,560,160

The Notes To The General Purpose Financial Statements are an Integral Part of This Statement.

Continued

NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
Liabilities, Equities And Other Credits								
Liabilities:								
Accounts Payable	\$8,045	\$38	\$294	\$156				\$8,533
Accrued Wages And Benefits	627,019	31,025		26,098				684,142
Compensated Absences Payable	5,063			17,888			\$588,901	611,852
Pension Obligation Payable	100,448	5,280		8,422			48,937	163,087
Interfund Loan Payable		1,700						1,700
Deferred Revenue	3,025,800			4,836				3,030,636
Due To Other Governments		8,738						8,738
Due To Students					\$21,473			21,473
Total Liabilities	3,766,375	46,781	294	57,400	21,473		637,838	4,530,161
Equity and Other Credits:								
Investment In General Fixed Assets						\$4,348,358		4,348,358
Contributed Capital				3,900				3,900
Retained Earnings (Accumulated Deficit):								
Unreserved				(17,440)				(17,440)
Fund Balances:								
Reserved For Encumbrances	69,609	11,145						80,754
Reserved For Prepayments	11,763							11,763
Reserved For Materials And Supplies Inventory	4,217							4,217
Reserved For Tax Revenue Unavailable For Appropriation	181,960							181,960
Reserved For Budget Stabilization	125,368							125,368
Reserved For Capital Acquisition	33,690							33,690
Unreserved-Undesignated	1,021,681	164,706	65,003		6,039			1,257,429
Total Equity And Other Credits	1,448,288	175,851	65,003	(13,540)	6,039	4,348,358		6,029,999
Total Liabilities, Equity And Other Credits	\$5,214,663	\$222,632	\$65,297	\$43,860	\$27,512	\$4,348,358	\$637,838	\$10,560,160

The Notes To The General Purpose Financial Statements are an Integral Part of This Statement.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:					
From Local Sources:					
Taxes	\$2,806,320				\$2,806,320
Tuition	9,919				9,919
Earnings On Investments	99,614	\$655			100,269
Extracurricular		76,090			76,090
Other Local Revenues	40,761	1,509			42,270
Intergovernmental - State	4,057,436	198,586	\$61,245		4,317,267
Intergovernmental - Federal		316,802			316,802
Total Revenue	<u>7,014,050</u>	<u>593,642</u>	<u>61,245</u>		<u>7,668,937</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,387,496	119,444	30,959		3,537,899
Special	564,954	275,972			840,926
Vocational	178,796				178,796
Other	13,956				13,956
Support Services:					
Pupil	160,995	3,508			164,503
Instructional Staff	446,570	4,233			450,803
Board Of Education	41,380				41,380
Administration	710,863	7,719			718,582
Fiscal	183,871	68			183,939
Operations And Maintenance	853,982				853,982
Pupil Transportation	451,690				451,690
Extracurricular Activities	125,118	66,010			191,128
Total Expenditures	<u>7,119,671</u>	<u>476,954</u>	<u>30,959</u>		<u>7,627,584</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(105,621)</u>	<u>116,688</u>	<u>30,286</u>		<u>41,353</u>
Other Financing Sources (Uses):					
Operating Transfers In		5,000			5,000
Operating Transfers Out	<u>(5,000)</u>				<u>(5,000)</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>5,000</u>			<u>0</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>(110,621)</u>	<u>121,688</u>	<u>30,286</u>	<u>\$0</u>	<u>41,353</u>
Fund Balances, July 1, 2000	1,563,492	54,163	34,717	6,039	1,658,411
Decrease In Reserve For Inventory	<u>(4,583)</u>				<u>(4,583)</u>
Fund Balances, June 30, 2000	<u><u>\$1,448,288</u></u>	<u><u>\$175,851</u></u>	<u><u>\$65,003</u></u>	<u><u>\$6,039</u></u>	<u><u>\$1,695,181</u></u>

The Notes to the General Purpose Financial Statements are an Integral Part of This Statement.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2000**

	<u>General</u>			<u>Special Revenue</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:						
From Local Sources:						
Taxes	\$2,881,422	\$2,883,179	\$1,757			
Tuition	9,913	9,919	6			
Earnings on Investments	99,423	99,484	61	\$654	\$655	\$1
Extracurricular				71,500	76,090	4,590
Other Local Revenues	40,239	40,264	25	6,227	1,709	(4,518)
Intergovernmental - State	4,053,864	4,056,337	2,473	198,403	198,586	183
Intergovernmental - Federal				272,149	272,399	250
Total Revenues	<u>7,084,861</u>	<u>7,089,183</u>	<u>4,322</u>	<u>548,933</u>	<u>549,439</u>	<u>506</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,171,996	3,275,033	(103,037)	84,333	130,358	(46,025)
Special	428,500	558,452	(129,952)	260,963	273,321	(12,358)
Vocational	163,780	174,254	(10,474)			
Other	12,000	13,956	(1,956)			
Support Services:						
Pupil	157,962	156,102	1,860	8,000	3,508	4,492
Instructional Staff	337,017	427,431	(90,414)	3,500	3,500	0
Board of Education	68,290	42,407	25,883			
Administration	666,078	696,972	(30,894)	3,500	7,720	(4,220)
Fiscal	169,727	183,356	(13,629)			
Operations and Maintenance	997,546	930,231	67,315			
Pupil Transportation	502,637	447,556	55,081			
Extracurricular Activities	112,739	124,908	(12,169)	74,500	75,795	(1,295)
Total Expenditures	<u>6,788,272</u>	<u>7,030,658</u>	<u>(242,386)</u>	<u>434,796</u>	<u>494,202</u>	<u>(59,406)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>296,589</u>	<u>58,525</u>	<u>(238,064)</u>	<u>114,137</u>	<u>55,237</u>	<u>(58,900)</u>
Other Financing Sources (Uses):						
Refund of Prior Year's Expenditures	497	497	0			
Operating Transfers In				9,368	9,377	9
Operating Transfers (Out)	(10,000)	(5,000)	5,000	(625)	(4,377)	(3,752)
Advances In	62,486	62,524	38			
Advances (Out)	(65,000)	(62,524)	2,476			
Total Other Financing Sources (Uses)	<u>(12,017)</u>	<u>(4,503)</u>	<u>7,514</u>	<u>8,743</u>	<u>5,000</u>	<u>(3,743)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>284,572</u>	<u>54,022</u>	<u>(230,550)</u>	<u>122,880</u>	<u>60,237</u>	<u>(62,643)</u>
Fund Balances, July 1, 2000	1,458,008	1,458,008	0	98,517	98,517	0
Prior Year Encumbrances Appropriated	23,197	23,197	0	337	337	0
Fund Balances, June 30, 2000	<u>\$1,765,777</u>	<u>\$1,535,227</u>	<u>(\$230,550)</u>	<u>\$221,734</u>	<u>\$159,091</u>	<u>(\$62,643)</u>

The Notes To The General Purpose Financial Statement are an Integral Part Of This Statement.

Continued

<u>Capital Projects</u>			<u>Total (Memorandum Only)</u>		
<u>Budget Revised</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Budget Revised</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
			\$2,881,422	\$2,883,179	\$1,757
			9,913	9,919	6
			100,077	100,139	62
			71,500	76,090	4,590
			46,466	41,973	(4,493)
\$61,245	\$61,245	\$0	4,313,512	4,316,168	2,656
			272,149	272,399	250
<u>61,245</u>	<u>61,245</u>	<u>0</u>	<u>7,695,039</u>	<u>7,699,867</u>	<u>4,828</u>
19,394	30,936	(11,542)	3,275,723	3,436,327	(160,604)
			689,463	831,773	(142,310)
			163,780	174,254	(10,474)
			12,000	13,956	(1,956)
			165,962	159,610	6,352
			340,517	430,931	(90,414)
			68,290	42,407	25,883
			669,578	704,692	(35,114)
			169,727	183,356	(13,629)
1,000		1,000	998,546	930,231	68,315
			502,637	447,556	55,081
			187,239	200,703	(13,464)
<u>20,394</u>	<u>30,936</u>	<u>(10,542)</u>	<u>7,243,462</u>	<u>7,555,796</u>	<u>(312,334)</u>
<u>40,851</u>	<u>30,309</u>	<u>(10,542)</u>	<u>451,577</u>	<u>144,071</u>	<u>(307,506)</u>
			497	497	0
			9,368	9,377	9
			(10,625)	(9,377)	1,248
			62,486	62,524	38
			(65,000)	(62,524)	2,476
			<u>(3,274)</u>	<u>497</u>	<u>3,771</u>
40,851	30,309	(10,542)	448,303	144,568	(303,735)
34,426	34,426	0	1,590,951	1,590,951	0
292	292	0	23,826	23,826	0
<u>\$75,569</u>	<u>\$65,027</u>	<u>(\$10,542)</u>	<u>\$2,063,080</u>	<u>\$1,759,345</u>	<u>(\$303,735)</u>

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Tuition and Fees	\$3,500
Sales/Charges For Services	217,857
 Total Operating Revenues	 221,357
 Operating Expenses:	
Personal Services	186,857
Contract Services	2,848
Materials And Supplies	185,626
Depreciation	1,722
 Total Operating Expenses	 377,053
 Operating Loss	 (155,696)
 Nonoperating Revenues:	
Operating Grants	82,520
Interest Revenue	1,212
Federal Commodities	35,360
 Total Nonoperating Revenues	 119,092
 Net Loss	 (36,604)
 Retained Earnings At July 1, 2000	 19,164
 Retained Earnings (Accumulated Deficit) At June 30, 2000	 (17,440)

The Notes To The General Purpose Financial Statement Are An Integral Part Of This Statement

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Cash Flows From Operating Activities:	
Cash Received From Tuition And Fees	\$3,500
Cash Received From Sales/Service Charges	217,857
Cash Payments For Personal Services	(172,849)
Cash Payments For Contract Services	(2,754)
Cash Payments For Materials And Supplies	(148,604)
Net Cash Used In Operating Activities	(102,850)
Cash Flows From Noncapital Financing Activities:	
Cash Received From Operating Grants	82,520
Net Cash Provided By Noncapital Financing Activities	82,520
Cash Flows From Capital And Related Financing Activities:	
Acquisition Of Capital Assets	(3,221)
Net Cash Used In Capital And Related Financing Activities	(3,221)
Cash Flows From Investing Activities:	
Interest Received	1,212
Net Cash Provided By Investing Activities	1,212
Net Decrease In Cash And Cash Equivalents	(22,339)
Cash And Cash Equivalents At Beginning Of Year	46,486
Cash And Cash Equivalents At End Of Year	\$24,147
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:	
Operating Loss	(\$155,696)
Adjustments To Reconcile Operating Loss To Net Cash Provided By Operating Activities:	
Depreciation	1,722
Federal Donated Commodities	35,360
Changes In Assets And Liabilities:	
Increase In Supplies Inventory	(1,184)
Increase In Accounts Payable	94
Increase In Accrued Wages And Benefits	12,006
Increase In Compensated Absences Payable	1,728
Increase In Pension Obligation Payable	274
Increase In Deferred Revenue	2,846
Net Cash Used In Operating Activities	(\$102,850)

The Notes To The General Purpose Financial Statement Are An Integral Part Of This Statement

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**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT & REPORTING ENTITY

The Northmor Local School District ("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. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 428th largest by total enrollment among the 660 public and community school districts in the State. Average daily membership as of June 30, 2000 was 1,480. The District employed 86 certified employees and 49 non-certified 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.

Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

Jointly Governed Organizations

Heartland Council of Governments (the COG)

The COG (fka North Central Ohio Computer Cooperative) is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT & REPORTING ENTITY (Continued)

The Work Force Preparation Regional Council of Governments

The District participates in a regional council of governments whose purpose is to apply for, administer, and deliver services in member districts pursuant to the Jobs for Ohio's Graduates program and related or similar state and federal programs. Financial information can be obtained from Crystal Starner, Treasurer, Delaware Joint Vocational School District, who serves as fiscal agent, at 1610 State Route 521, Delaware, Ohio 43015.

Related Entity

Perry Cook Memorial Library

The District appoints the governing board of the Library, however, the District cannot influence the Library's operation nor does the Library represent a potential financial benefit for or burden on the District. The District serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the District must place the levy on the ballot. The Library may not issue debt. The Library did not receive any funding from the District during 2000.

Public Entity Risk Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. 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 the OSBA. The Executive Director of the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

The capital projects 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).

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting (Continued)

Enterprise Funds

The enterprise 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 (expenses, including depreciation) of providing goods or 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.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used.

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

B. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes (to the extent they are intended to finance the current fiscal year) and interest. Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2001 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditors as an advance at June 30. This amount is recognized as revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. In the proprietary fund types, unused donated commodities are reported as deferred revenue.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

C. Budget

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds, except the agency fund. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budget (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within a function must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function, or object level.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 14 provides disclosure of the encumbrances outstanding for the enterprise funds at fiscal year end.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board, investment earnings are assigned to the Public School Support and District Managed Student Activity Special revenue funds, and the Student Managed Activity agency fund, in addition to those funds required to receive interest by state statute.

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned by Other Funds</u>
General	\$99,614	\$83,225	\$16,389

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fixed Assets and Depreciation (Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	7-20

F. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Title VI
Education Management Information Systems (EMIS)
Title VI-B
Title I
Disadvantaged Pupil Impact Aid
Local Professional Development Block Grant
District Professional Development
Network Connectivity
SchoolNet Training
Ohio Reads
Community Grant
Reading Mini Grant
School Conflict
Safe School Help Line
Phonics Demonstration
Incentive Award
Eisenhower
Title VI-R

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Capital Projects Funds

Vocational Education Equipment
SchoolNet Plus
Technology Equity

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Consumer/Homemaking

Enterprise Fund

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 56% of the revenues of the District's governmental fund types during the 2000 fiscal year.

G. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences (Continued)

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

H. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

I. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, tax revenue unavailable for appropriation, budget stabilization and capital acquisition. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements are reflected as "interfund loans receivable and payable". The District had short-term interfund loans receivable and payable at June 30, 2000.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions (Continued)

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, and capital maintenance reserve. These reserves are required by State statute. Until March 26, 2000, restricted cash in the budget reserve may have only been spent if the district was forecasting a deficit, and the deficit was caused by one of the reasons identified in the rule, or the district is in fiscal watch or emergency. Until March 26, 2000, expenditure of the reserve required permission of the State Superintendent of Public Instruction.

Beginning March 26, 2000, the Board may, with a 2/3 vote of its members, appropriate from this budget reserve if it: 1) experiences a deficit unreserved fund balance for the current fiscal year as defined in the 5 year forecast; and 2) files an acceptable schedule to replenish the set-aside balance; and 3) certifies that the deficit was caused by one of the reasons identified in the revised rule, or the district is in fiscal watch or emergency.

A schedule of statutory reserves is presented in Note 19.

L. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

M. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, inventory at fiscal year end is reported as an asset of the respective fund, and is equally offset by a fund balance reserve which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

O. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balance/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

<u>Deficit Balance</u>	
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 222
<u>Enterprise Funds</u>	
Food Service	17,440

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

The deficit fund balance in the Disadvantaged Pupil Impact Aid special revenue fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits, and pension obligations attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits, and pension obligations attributable to the fiscal year. This deficit retained earning will be eliminated by user charges and other subsidies not recognized and recorded at June 30.

Compliance

Expenditures exceeded appropriations in many District funds at June 30, 2000. Expenditures also exceeded appropriations at the fund, function, and object level, the District's legal level of budgetary control, throughout the fiscal year.

4. DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits 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 accounts, including passbook accounts.

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

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Cash on Hand: At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits:

At year end, the carrying amount of the District's deposits was \$(67,123) and the bank balance was \$277,790. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance; and
2. \$177,790 was uninsured and uncollateralized because it was secured by collateral held by third party trustees pursuant to section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being held in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments:

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$674,000</u>	\$ 674,000	\$ 674,000
Investment in STAR Ohio	<u>1,292,000</u>	<u>1,292,000</u>	
Total investments	<u>\$1,966,000</u>	<u>\$1,966,000</u>	

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

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
Per GASB Statement No. 9	\$ 1,899,077	\$ 0
Investments of the cash management pool:		
Repurchase Agreement	(674,000)	674,000
Investment in STAR Ohio	(1,292,000)	1,292,000
Cash on hand	(200)	---
Per GASB Statement No. 3	\$ (67,123)	\$1,966,000

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000 consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,700	\$ ---
<u>Special Revenue Funds</u>		
Public School Support	---	200
District Managed Student Activities	---	1,500
Total	\$ 1,700	\$ 1,700

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	Transfers In	Transfers Out
General Fund	\$ ---	\$5,000
<u>Special Revenue Funds</u>		
District Managed Student Activities	5,000	---
Total	\$5,000	\$5,000

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$99,752,160 rural/residential and public utility/minerals real estate represented \$78,344,570 or 78.54% of this total, commercial and industrial real estate represented \$3,487,620 or 3.50% of this total, public utility tangible represented \$13,064,220 or 13.09% of this total and general tangible property represented \$4,855,750 or 4.87% of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$27.40 per \$1,000 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Morrow, Marion and Richland County Treasurers collect real estate property taxes on behalf of all taxing districts within the County. The respective County Auditor periodically remits to the District their portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

The Morrow, Marion and Richland County Treasurers collect personal property taxes on behalf of all taxing districts within the County. The respective County Auditor periodically remits to the District their portion of the taxes collected with final settlement in June and October. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available for an advance at June 30 is recognized as revenue. \$181,960 was available to the District as an advance at June 30, 2000.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

7. SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax effective June 2, 1992. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2000 was \$869,043.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accrued interest, interfund loans, and intergovernmental grants and entitlements (to extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. 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 fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,577,293
Accrued interest	6,743
Due from other governments	1,100
<u>Special Revenue Funds</u>	
Due from other governments	52,358

9. FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Land/Improvements	\$ 180,446	\$ ---	\$ ---	\$ 180,446
Buildings/Improvements	2,119,520	139,615	---	2,259,135
Furniture/Equipment	941,955	147,019	---	1,088,974
Vehicles	<u>819,803</u>	<u>---</u>	<u>---</u>	<u>819,803</u>
Total	<u>\$4,061,724</u>	<u>\$286,634</u>	<u>\$ ---</u>	<u>\$4,348,358</u>

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 88,420
Less: accumulated depreciation	<u>(75,931)</u>
Net fixed assets	<u>\$ 12,489</u>

10. CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1999	\$3,900
Current contributions from other funds	<u>---</u>
Contributed capital, June 30, 2000	<u>\$3,900</u>

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2000</u>
Compensated absences	\$429,505	\$ 159,396	\$ - - -	\$588,901
Pension obligation payable	<u>46,678</u>	<u>48,937</u>	<u>(46,678)</u>	<u>48,937</u>
Total	<u>\$476,183</u>	<u>\$208,333</u>	<u>\$(46,678)</u>	<u>\$637,838</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$8,977,694 and an unvoted debt margin of \$99,752.

12. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given five to twenty-five days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited.

Administrators, teachers, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days. Upon retirement, payment is made for thirty percent of the total sick leave accumulation up to a maximum of seventy five days.

13. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2000, the District retained property insurance coverage, underwritten by Indiana Insurance Company, in the blanket amount of \$10,927,934 with 90% coinsurance, replacement cost endorsement and a \$500 deductible. Boiler and machinery coverage is provided within the property coverage and limits. The District also has inland marine floaters in the amount of \$63,677 with a \$100 deductible for coverage of audio visual equipment, musical instruments and band uniforms.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. RISK MANAGEMENT (Continued)

A. Comprehensive (Continued)

Vehicles are covered by Indiana Insurance Company and hold a \$100 deductible for claims related to collision and other than collision coverage. Automobile liability has a \$1,000,000 combined single limit of liability.

Nationwide Insurance Companies also provide general liability coverage with a \$2,000,000 single occurrence limit, an aggregate limit of \$5,000,000 with no deductible.

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

B. Employee Group Life, Medical, Dental, and Vision Insurance

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees in the amount of \$35,000 for certified employees and \$20,000 for classified employees.

The District has elected to provide a comprehensive medical benefits package to the employees through Central Benefits. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Included in the plan is a prescription drug card with a \$3 per prescription deductible for PCS drugs and a \$5 per prescription deductible for mail-order drugs. The total monthly premium for the medical and prescription drug plan is \$248.96 for single coverage and \$627.37 for family coverage which is paid out of the same fund that pays the salary for the employee. The employee pays 15% of the medical premium, while the District pays the remaining 85% of the medical premium and 100% of the Dental/Vision premium. The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations.

The District provides dental coverage for its employees with a \$25 deductible per person, or \$50 deductible for a family. The total monthly premium for this dental coverage is \$20.04 for single and \$52.04 for family coverage.

The District also provides vision coverage for its employees with no deductible coverage. The total monthly premium is \$15.42 for single or family coverage.

The above employee portions of premiums for medical, dental and vision insurance are for full-time employees. Employees that are considered part-time are required to pay a percent of the Board's share of the medical premium which is equal to their work schedule as a percent of a full time work schedule.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. RISK MANAGEMENT (Continued)

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), 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 the Ohio School Boards Association. The Executive Director of the 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.

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 the 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 percentage 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

D. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Assistant Treasurer, Superintendent, and Board Members in the amount of \$20,000.

14. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 217,857	\$3,500	\$ 221,357
Operating expense before depreciation	371,827	3,504	375,331
Depreciation	1,722	---	1,722
Operating loss	(155,692)	(4)	(155,696)
Federal donated commodities	35,360	---	35,360
Operating grants	82,520	---	82,520

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. SEGMENT INFORMATION - ENTERPRISE FUNDS

	<u>Food</u> <u>Service</u>	<u>Uniform School</u> <u>Supplies</u>	<u>Total</u>
Net loss	(36,600)	(4)	(36,604)
Net working capital	(8,141)	---	(8,141)
Fixed asset additions	3,221	---	3,221
Total assets	43,860	---	43,860
Total liabilities	57,400	---	57,400
Contributed capital	3,900	---	3,900
Total equity	(13,540)	---	(13,540)
Encumbrances outstanding at June 30	18	---	18

15. DEFINED BENEFIT PENSION 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate of 14 percent for 2000; 5.5 percent was the portion 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 School Employees Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$45,170, \$62,629, and \$71,985, respectively; 43 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$25,737, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. 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. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$212,212, \$197,757, and \$345,556, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$37,056, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid.

16. POSTEMPLOYMENT BENEFITS

The 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 funded on a pay-as-you-go basis.

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$282,949 during fiscal 2000.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. 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 2000, the minimum pay has been established at \$12,400. 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 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$84,079 during the 2000 fiscal year.

17. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

17. BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$ 54,022	\$ 60,237	\$30,309
Net adjustment for revenue accruals	(75,133)	44,203	---
Net adjustment for expenditure accruals	(165,633)	6,065	(293)
Net adjustment for other financing sources (uses)	(497)	---	---
Encumbrances (budget basis)	<u>76,620</u>	<u>11,183</u>	<u>270</u>
GAAP basis	<u><u>\$(110,621)</u></u>	<u><u>\$121,688</u></u>	<u><u>\$30,286</u></u>

18. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

There is no current litigation pending which would have a material effect on the financial statements.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

18. CONTINGENCIES (Continued)

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered 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 Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$3,840,864 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

19. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$ 74,341
Current year set-aside requirement	153,081	153,081	51,027
Qualifying disbursements	<u>(153,081)</u>	<u>(119,391)</u>	<u>---</u>
Cash balance carried forward to FY 2001	<u>\$ _____</u>	<u>\$ 33,690</u>	<u>\$125,368</u>

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. STATUTORY RESERVES (Continued)

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	\$125,368
Amount restricted for capital acquisition	<u>33,690</u>
Total restricted assets	<u>\$159,058</u>

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	CFDA #	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$ —	\$36,792	\$ —	\$35,360
National School Lunch Program	10.555	48819 03-PU 0000	18,640	—	18,640	—
		48819 04-PU 0000	59,308	—	59,308	—
Total National School Lunch Program			<u>77,948</u>	<u>—</u>	<u>77,948</u>	<u>—</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>77,948</u>	<u>36,792</u>	<u>77,948</u>	<u>35,360</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	48819 C1-S1 1998	—	—	1,671	—
		48819 C1-S1 1999	28,057	—	73,535	—
		48819 C1-S1 2000	153,012	—	140,825	—
Total Title I Grants to Local Educational Agencies			<u>181,069</u>	<u>—</u>	<u>216,031</u>	<u>—</u>
Special Education Grants to States	84.027	48819 6B-SF 1999	17,233	—	20,146	—
		48819 6B-SF 2000	47,725	—	40,431	—
Total Special Education Grants to States			<u>64,958</u>	<u>—</u>	<u>60,577</u>	<u>—</u>
Eisenhower Professional Development State Grant	84.281	48819 MS-S1 2000	6,000	—	3,508	—
Innovative Education Program Strategies	84.298	48819 C2-S1 1998	—	—	206	—
		48819 C2-S1 1999	5,489	—	5,030	—
		48819 C2-S1 2000	1,889	—	1,888	—
Total Innovative Education Program Strategies			<u>7,378</u>	<u>—</u>	<u>7,124</u>	<u>—</u>
Goals 2000 State and Local Education Systemic Improvement	84.276	48819 G2-S1 1997	—	—	66	—
Reducing Class Size	84.340	48413 CR-S1 2000	10,994	—	10,994	—
Total U.S. Department of Education			<u>270,399</u>	<u>—</u>	<u>298,300</u>	<u>—</u>
Total Federal Awards			<u>\$348,347</u>	<u>\$36,792</u>	<u>\$376,248</u>	<u>\$35,360</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District'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 fair market value of the commodities received and consumed. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Northmor Local School District
Morrow County
5427 County Road 29
Galion, Ohio 44833

To the Board of Education:

We have audited the financial statements of Northmor Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 4, 2000. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10659-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 4, 2000.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10659-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2000.

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

JIM PETRO
Auditor of State

December 4, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Northmor Local School District
Morrow County
5427 County Road 29
Galion, Ohio 44833

To the Board of Education:

We have audited the compliance of Northmor Local School District, Morrow County, Ohio, (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 its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. 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.

Compliance

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, 2000.

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.

**Internal Control Over Compliance
(Continued)**

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.

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

JIM PETRO
Auditor of State

December 4, 2000

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies - CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10659-001
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Expenditures Exceed Appropriations

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Budgetary expenditures exceeded appropriations in the following funds at June 30, 2000:

Fund	Fund Name	Appropriations	Budgetary Expenditures	Variance
001-0000	General	\$6,829,274	\$7,098,184	(\$268,910)
018-9670	Johnsville Principal's Fund	2,600	3,295	(695)
300-9500	Athletic Fund	40,700	43,346	(2,646)
300-9683	Annual Fund	15,000	18,141	(3,141)
416-9020	Professional Development	0	5,276	(5,276)
416-9098	Professional Block Grant	0	440	(440)
452-9963	SchoolNet	0	562	(562)
459-9020	Ohio Reads	0	28,300	(28,300)
459-9120	Community Grant	0	8,142	(8,142)
459-9220	Ohio Reads Stipend	0	2,000	(2,000)
499-9200	School Conflict Grant	0	3,000	(3,000)
499-9201	Safe School Help Line	0	883	(883)
499-9202	Phonics Demonstration	0	12,705	(12,705)
499-9203	Iberia Incentive Grant	0	21,894	(21,894)
514-9020	Eisenhower Grant	0	3,508	(3,508)
572-9099	Title I Grant	48,092	73,535	(25,443)
573-9020	Title VI	0	1,888	(1,888)
573-9099	Title VI	0	5,489	(5,489)
573-9199	Title VI	0	3,918	(3,918)
599-9020	Reading Mini Grant	2,000	10,994	(8,994)
454-9020	Technology Equity Fund	0	9,604	(9,604)
454-9097	Technology Equity Fund	7,415	9,160	(1,745)
006	Food Service	315,027	321,825	(6,798)
009	Uniform School Supplies	2,500	3,504	(1,004)

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000
(Continued)**

Expenditures Exceed Appropriations (Continued)

Budgetary expenditures also exceeded appropriations at the District's legal level of budgetary control at March 31, 2000, as follows:

Fund/ Function/ Object/ SCC	Fund Name	Appropriations	Expenditures	Variance
001-2200-800-0000	General	\$84,980	\$86,972	(\$1,992)
001-2800-500-0000	General	59,500	75,766	(16,266)
006-3100-500-0000	Food Service	135,500	157,695	(22,195)
006-3100-600-0000	Food Service	2,000	3,422	(1,422)
200-4100-500-9280	Spanish Club	1,000	10,442	(9,442)
200-4300-500-9320	FHA	1,500	3,808	(2,308)
200-4300-500-9330	FFA	8,000	21,921	(13,921)
300-4500-500-9500	Athletics	8,600	15,382	(6,782)
300-4500-700-9500	Athletics	0	4,381	(4,381)
300-4600-500-9683	Annual	15,000	31,483	(16,483)
416-1100-400-9020	Professional	0	5,276	(5,276)
432-2400-600-0000	EMIS	1,500	7,601	(6,101)
454-1100-600-9020	Technology Equity	0	2,674	(2,674)
454-1100-500-9097	Technology Equity	3,000	5,837	(2,837)
459-1100-100-9020	Ohio Reads	0	6,500	(6,500)
459-1100-200-9020	Ohio Reads	0	1,003	(1,003)
459-1100-400-9020	Ohio Reads	0	3,219	(3,219)
459-1100-500-9020	Ohio Reads	0	4,606	(4,606)
459-1100-400-9120	Ohio Reads	0	3,000	(3,000)
459-1100-500-9120	Ohio Reads	0	3,114	(3,114)
499-1100-500-9200	School Conflict Grant	0	1,753	(1,753)
499-1100-500-9202	Phonics Demonstration	0	4,357	(4,357)
514-2100-400-9020	Eisenhower Grant	0	2,655	(2,655)
572-1200-100-9099	Title I	38,492	57,496	(19,004)
572-1200-200-9099	Title I	9,450	14,757	(5,307)
573-1100-600-9020	Title VI-B	0	1,471	(1,471)
573-1100-500-9099	Title VI-B	0	1,112	(1,112)
573-7200-900-9099	Title VI-B	0	4,377	(4,377)
573-1100-600-9199	Title VI-B	0	1,621	(1,621)

The Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**NORTHMOR LOCAL SCHOOL DISTRICT
JUNE 30, 2000**

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

Finding Number	200-10659-002
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Budgetary Posting and Monitoring

The District should post to its appropriation ledger those appropriations and appropriation modifications approved by the Board of Education to allow for monitoring of budgeted vs. actual expenditures. Likewise, the District should also post to its revenue ledger, the estimated revenue as certified to the County Budget Commission to allow for monitoring of budget vs. actual revenue. Monitoring comprises regular management and supervisory activities established to oversee whether management's financial objectives are being achieved. Monitoring controls generally pertain to the analysis of reports produced by the accounting system. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

As of June 30, 2000, the estimated revenue posted to the District's revenue ledger significantly varied from the amounts certified by the County Budget Commission. Failure to accurately post budgeted revenue results in the inability to monitor budgeted vs. actual receipts, and, thus, may impair the District's ability to determine whether receipts will be sufficient to support budgeted costs. Estimated revenue posted to the revenue ledger compared to estimated revenue certified by the County Budget Commission is as follows:

Fund	Fund Name	Estimated Revenue Posted	Estimated Revenue Certified by Budget Commission	Variance
001	General	\$6,582,524	\$7,147,843	(\$565,319)
006	Food Service	298,500	300,678	(2,178)
018	Principals' Funds	16,765	19,614	(2,849)
034	School Facilities Grant	0	59,500	(59,500)
200	Student Activity Funds	44,169	65,580	(21,411)
300	District Managed Activities	55,105	63,125	(8,020)
416	Professional Dev. Grant	0	6,295	(6,295)
450	School Net	0	50,000	(50,000)
451	Networking Grant	0	8,136	(8,136)
452	School Net Training	0	3,000	(3,000)
454	Tech Equity Grant	0	10,516	(10,516)
459	Ohio Reads Grant	0	47,000	(47,000)
499	Miscellaneous Grants	4,000	51,269	(47,269)
514	Eisenhower Grant	0	6,000	(6,000)
516	Title VI-B	74,788	64,958	9,830
572	Title I	218,138	181,069	37,069
573	Title VI	0	11,755	(11,755)
599	Title VI-R	0	10,994	(10,994)

**NORTHMOR LOCAL SCHOOL DISTRICT
JUNE 30, 2000**

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

Budgetary Posting and Monitoring (Continued)

Also, the appropriations posted to the District's appropriations ledger as of June 30, 2000 totaled approximately \$3.4 million, although fiscal year 2000 appropriations approved by the Board totaled \$7,684,121. Posting of the District's fiscal year 2001 temporary appropriations appeared to override the District's fiscal year 2000 appropriations, which compromises the District's ability to monitor budgeted vs. actual disbursements at the fiscal year end.

Moreover, the Board does not currently monitor budgeted vs. actual revenue to identify unusual or inconsistent fluctuations in the District's revenue. The lack of monitoring could result in overspending the budget without fiscal officer or legislative body knowledge.

We recommend the District accurately post to its revenue and appropriation ledgers all appropriation measures approved by the Board, and the estimated revenue as certified by the County Budget Commission. Furthermore, in addition to the budgeted vs. actual disbursement reports the Board currently monitors, we also recommend the Board review, on a monthly basis, budgetary reports comparing budgeted revenue vs. actual revenue.

The budgetary presentation in the audited financial statements were adjusted to reflect actions the Board and Budget Commission approved.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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NORTHMOR LOCAL SCHOOL DISTRICT

MORROW 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
JANUARY 09, 2001**