

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

TINA GABLER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Northmor Local School District
5247 County Road 29
Galion, Ohio 48339

We have reviewed the *Independent Auditor's Report* of the Northmor Local School District, Morrow County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 4, 2009

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Northmor Local School District
5247 County Road 29
Galion, OH 44833

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Northmor Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northmor Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 opinions.

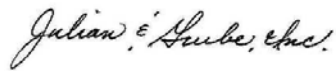
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of Northmor Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Northmor Local School District
Page Two

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 19, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The management's discussion and analysis of Northmor Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities increased \$639,316 which represents a 33.79% increase from 2007.
- General revenues accounted for \$10,100,178 in revenue or 80.79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,401,307 or 19.21% of total revenues of \$12,502,025.
- The District had \$11,862,709 in expenses related to governmental activities; \$2,401,307 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,100,178 were adequate to provide for these programs.
- The District's three major governmental funds are the general fund, building fund and classroom facilities fund. The general fund had \$11,173,102 in revenues and \$10,411,236 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$761,866 from \$760,284 to \$1,522,150.
- The building fund had \$14,506,499 revenues and other financing sources and \$11,987,947 in transfers out. During fiscal year 2008, the building fund's fund balance increased to a balance of \$2,518,552.
- The classroom facilities fund had \$12,012,251 revenues and no expenditures. During fiscal year 2008, the classrooms facilities fund's fund balance increased to a balance of \$12,012,251.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, building fund, and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007.

	Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 21,519,210	\$ 6,463,083
Capital assets, net	<u>1,483,626</u>	<u>1,517,104</u>
Total assets	<u>23,002,836</u>	<u>7,980,187</u>
<u>Liabilities</u>		
Current liabilities	5,075,862	5,205,927
Long-term liabilities	<u>15,395,769</u>	<u>882,371</u>
Total liabilities	<u>20,471,631</u>	<u>6,088,298</u>
<u>Net Assets</u>		
Invested in capital assets assets, net of related debt	1,483,626	1,517,104
Restricted	148,745	286,695
Unrestricted	<u>898,834</u>	<u>88,090</u>
Total net assets	<u>\$ 2,531,205</u>	<u>\$ 1,891,889</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$2,531,205. At fiscal year-end, restricted net assets were \$148,745.

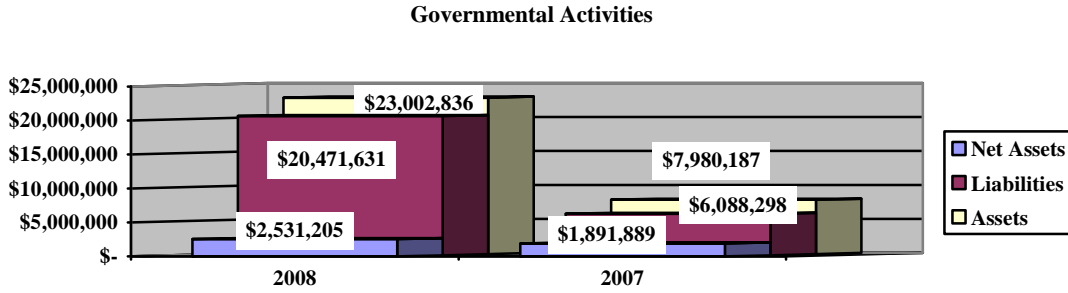
At fiscal year-end, capital assets represented 6.45% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Invested in capital assets at June 30, 2008, were \$1,483,626. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$148,745, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$898,834.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,057,067	\$ 956,846
Operating grants and contributions	1,334,993	1,537,973
Capital grants and contributions	9,247	15,366
General revenues:		
Property taxes	3,302,319	2,776,248
Income taxes	1,615,567	1,254,815
Grants and entitlements	5,019,109	5,129,114
Investment earnings	149,856	77,483
Other	<u>13,867</u>	<u>2,721</u>
Total revenues	<u>12,502,025</u>	<u>11,750,566</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,524,037	\$ 4,365,585
Special	1,287,957	1,372,137
Vocational	313,023	279,946
Other	924,231	823,377
Support services:		
Pupil	416,630	347,458
Instructional staff	608,876	542,633
Board of education	16,289	18,103
Administration	990,950	927,749
Fiscal	408,777	316,807
Operations and maintenance	851,840	882,982
Pupil transportation	780,748	650,060
Central	13,212	65,473
Operations of non-instructional services:		
Other non-instructional services	-	24,540
Food service operations	383,773	343,363
Extracurricular activities	288,736	297,276
Interest and fiscal charges	53,630	-
Total expenses	<u>11,862,709</u>	<u>11,257,489</u>
Change in net assets	639,316	493,077
Net assets at beginning of year	<u>1,891,889</u>	<u>1,398,812</u>
Net assets at end of year	<u>\$ 2,531,205</u>	<u>\$ 1,891,889</u>

Governmental Activities

Net assets of the District's governmental activities increased \$639,316. Total governmental expenses of \$11,862,709 were offset by program revenues of \$2,401,307 and general revenues of \$10,100,718. Program revenues supported 19.21% of the total governmental expenses.

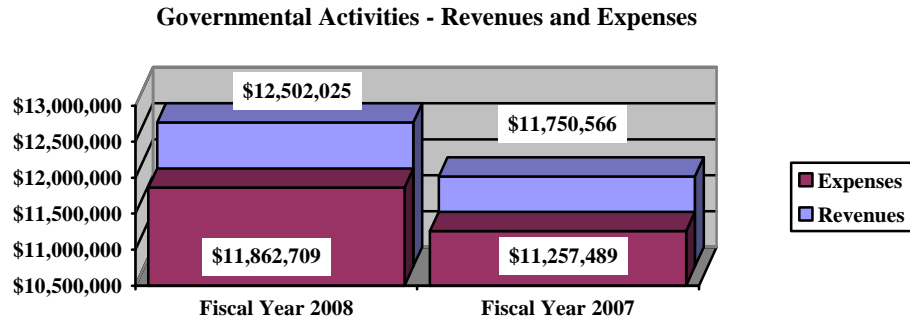
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 79.48% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,049,248 or 59.42% of total governmental expenses for fiscal year 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.



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

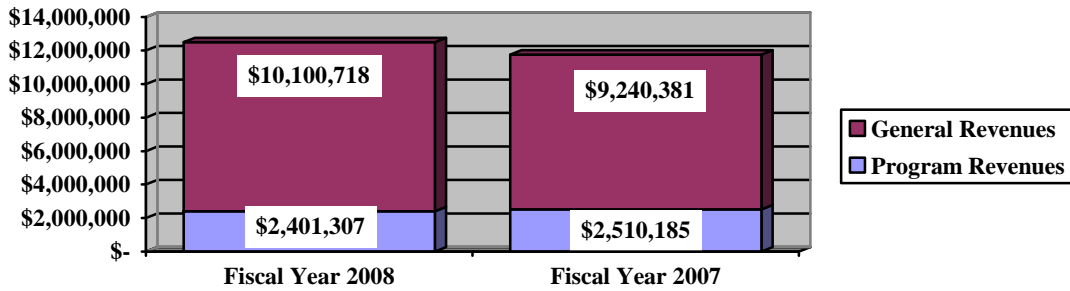
	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 4,524,037	\$ 3,657,226	\$ 4,365,585	\$ 3,477,961
Special	1,287,957	629,467	1,372,137	662,636
Vocational	313,023	237,226	279,946	219,665
Other	924,231	924,231	823,377	823,377
Support services:				
Pupil	416,630	274,810	347,458	240,109
Instructional staff	608,876	525,248	542,633	446,485
Board of education	16,289	16,289	18,103	18,103
Administration	990,950	986,726	927,749	919,761
Fiscal	408,777	408,777	316,807	316,807
Operations and maintenance	851,840	845,207	882,982	877,587
Pupil transportation	780,748	749,817	650,060	563,706
Central	13,212	2,684	65,473	(668)
Operations of non-instructional services:				
Other non-instructional services	-	-	24,540	21,398
Food service operations	383,773	(47,183)	343,363	(31,714)
Extracurricular activities	288,736	197,247	297,276	192,091
Interest and fiscal charges	53,630	53,630	-	-
Total expenses	<u>\$ 11,862,709</u>	<u>\$ 9,461,402</u>	<u>\$ 11,257,489</u>	<u>\$ 8,747,304</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 77.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.76%. The District's taxpayers and grants and entitlements, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$16,122,651, which is higher than last year's total of \$778,315. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,522,150	\$ 760,284	\$ 761,866	100.21 %
Building	2,518,552	-	2,518,552	100.00 %
Classroom facilities	12,012,251	-	12,012,251	100.00 %
Other governmental	<u>69,698</u>	<u>18,031</u>	<u>51,667</u>	286.55 %
Total	<u>\$ 16,122,651</u>	<u>\$ 778,315</u>	<u>\$ 15,344,336</u>	1,971.48 %

General Fund

The District's general fund balance increased \$761,866. The increase in fund balance can be attributed to several items related to increasing revenues exceeding increasing expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	2008 <u>Amount</u>	2007 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,892,212	\$ 3,994,386	\$ 897,826	22.48 %
Tuition	680,293	598,540	81,753	13.66 %
Earnings on investments	78,451	77,537	914	1.18 %
Intergovernmental	5,474,981	5,592,498	(117,517)	(2.10) %
Other revenues	<u>47,165</u>	<u>34,762</u>	<u>12,403</u>	35.68 %
 Total	 <u>\$11,173,102</u>	 <u>\$10,297,723</u>	 <u>\$ 875,379</u>	 8.50 %
<u>Expenditures</u>				
Instruction	\$ 6,501,703	\$ 6,208,967	\$ 292,736	4.71 %
Support services	3,714,082	3,455,650	258,432	7.48 %
Extracurricular activities	<u>195,451</u>	<u>176,933</u>	<u>18,518</u>	10.47 %
 Total	 <u>\$10,411,236</u>	 <u>\$ 9,841,550</u>	 <u>\$ 569,686</u>	 5.79 %

Tax revenue increased \$897,826 or 22.48%. This increase was primarily attributable to two reasons. First, there was an approximate \$534,000 variance in the amount of tax advance that was available to the District from the county auditors at June 30, 2008 versus June 30, 2007. This variance resulted in more tax revenue being reported in fiscal year 2008. The amount of tax advances available from the county auditors can vary depending upon when tax bills are mailed. Tuition revenue increased \$81,753 or 13.66%. This increase was primarily attributable to an approximate \$100,000 increase in the amount of open enrollment receipts at June 30, 2008 versus June 30, 2007. Intergovernmental revenue decreased \$117,517 or 2.10% from the prior year. This decrease is primarily attributed to an approximate \$175,000 decrease in foundation receipts in fiscal year 2008. All other revenues remained comparable to 2007.

Instruction and support services expenditures remained relatively consistent with 2007 experiencing increases for anticipated salary/wage and fringe benefit increases. Additionally, support services experienced increases due to inflation in utility and fuel costs. All other expenditure line items shown are deemed immaterial amounts relative to total expenditures and they do not warrant further analysis.

Building Fund

The building fund had \$14,506,499 in revenues and other financing sources during fiscal year 2008. The building fund had \$11,987,947 in transfers out. During fiscal year 2008, the building fund's fund balance increased to a fund balance of \$2,518,552. The increase in fund balance is due to the issuance of notes related to the Ohio School Facilities construction project.

Classroom Facilities Fund

The classroom facilities fund had \$12,012,251 in revenues and other financing sources during fiscal year 2008. The classroom facilities fund had no expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased to a fund balance of \$12,012,251. The increase in fund balance is due to the issuance of notes related to the Ohio School Facilities construction project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund once. For the general fund, original budgeted revenues and other financing sources were \$10,467,875 and final budgeted revenues and other financing sources were \$10,840,345. Actual revenues and other financing sources for fiscal year 2008 were \$10,634,115. This represents a \$166,240 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,165,578 were increased to \$10,571,116 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$10,438,055, which is \$133,061 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$1,483,626 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 139,000	\$ 139,000
Land improvements	211,003	225,599
Building and improvements	834,177	821,091
Furniture and equipment	134,280	139,968
Vehicles	165,166	191,446
 Total	 \$1,483,626	 \$ 1,517,104

The overall decrease in capital assets of \$33,478 is due to depreciation expense of \$121,179 exceeding capital outlay of \$87,701 in the fiscal year.

See Note 8 to the basic financial statements for additional information.

Debt Administration

At June 30, 2008, the District had \$14,500,000 in bond anticipation notes outstanding. Of this total, \$14,500,000 is due within one year and has been retired using proceeds from the Series 2008 construction bonds issued on August 14, 2008. The following table summarizes the bonds and capital lease obligations outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Outstanding Debt, at Year End

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Bond anticipation note	\$ 14,500,000	\$ -
Total	<u>\$ 14,500,000</u>	<u>\$ -</u>

At June 30, 2008, the District's overall legal debt margin was \$12,873,263, and an unvoted debt margin of \$143,036.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District has been able to use a very conservative financial approach. The District operates at the 20 mil floor and has an inside millage rate of 5.1. The District does benefit from a 1% income tax that was passed in 1992. There have been no requests by the District to its voters since 1992. The District has no outstanding debt.

The Board and administration closely monitor expenditures to stay in line with the five-year financial forecast. Cuts to operating budgets and cuts in staffing throughout the District have been employed to avoid the need to seek additional money from the community. The Board and the administration have continued to monitor the State funding issue for schools.

The Ohio School Facility Commission currently places the District at 226 on their equity list. The District has been selected by the OSFC for funding. The District passed its proposed bond issue on March 4, 2008. The District anticipates opening a K-12 campus in the fall of 2011.

The District continues to closely monitor income amounts. If the economy improves it is hoped that the income tax will surpass the current growth rate of ¼ of 1% per year. This revenue growth will have to be factored with the inevitability of rising operating costs in the future. The five-year forecast anticipates that the District will be able to stay in the black in the immediate future with careful financial budgeting. The goal of the District remains to provide the best possible education for the dollars available.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Tina Gabler, Treasurer, Northmor Local School District, 5247 Co. Rd. 29, Galion, Ohio 44833.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 1,420,893
Investments	14,523,028
Receivables:	
Taxes	5,441,886
Intergovernmental	16,214
Accrued interest.	48,406
Prepayments	48,057
Materials and supplies inventory.	20,726
Capital assets:	
Land.	139,000
Depreciable capital assets, net.	1,344,626
Capital assets, net.	<u>1,483,626</u>
 Total assets.	 <u>23,002,836</u>
 Liabilities:	
Accounts payable.	2,762
Accrued wages and benefits	997,593
Pension obligation payable.	260,295
Intergovernmental payable.	20,044
Unearned revenue	3,741,538
Accrued interest payable	53,630
Long-term liabilities:	
Due within one year.	14,591,140
Due in more than one year	804,629
 Total liabilities	 <u>20,471,631</u>
 Net Assets:	
Invested in capital assets	1,483,626
Restricted for:	
Capital projects	22,305
Locally funded programs	977
State funded programs.	17,619
Federally funded programs	33,824
Student activities.	29,471
Other purposes.	44,549
Unrestricted	<u>898,834</u>
 Total net assets	 <u>\$ 2,531,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,524,037	\$ 709,120	\$ 157,691	\$ -	\$ (3,657,226)
Special	1,287,957	4,062	654,428	-	(629,467)
Vocational	313,023	-	75,797	-	(237,226)
Other	924,231	-	-	-	(924,231)
Support services:					
Pupil	416,630	-	141,820	-	(274,810)
Instructional staff	608,876	-	83,628	-	(525,248)
Board of education	16,289	-	-	-	(16,289)
Administration	990,950	-	4,224	-	(986,726)
Fiscal	408,777	-	-	-	(408,777)
Operations and maintenance	851,840	409	6,224	-	(845,207)
Pupil transportation	780,748	-	21,684	9,247	(749,817)
Central	13,212	-	10,528	-	(2,684)
Operation of non-instructional services:					
Food service operations	383,773	251,987	178,969	-	47,183
Extracurricular activities	288,736	91,489	-	-	(197,247)
Interest and fiscal charges	53,630	-	-	-	(53,630)
Total governmental activities	<u>\$ 11,862,709</u>	<u>\$ 1,057,067</u>	<u>\$ 1,334,993</u>	<u>\$ 9,247</u>	<u>(9,461,402)</u>

General Revenues:

Property taxes levied for:	
General purposes	3,302,319
Income taxes levied for:	
General purposes	1,615,567
Grants and entitlements not restricted	
to specific programs	5,019,109
Investment earnings	149,856
Miscellaneous	13,867
Total general revenues	<u>10,100,718</u>
Change in net assets	639,316
Net assets at beginning of year	1,891,889
Net assets at end of year	<u>\$ 2,531,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,200,244	\$ -	\$ -	\$ 176,100	\$ 1,376,344
Investments	-	2,516,833	12,006,195	-	14,523,028
Receivables:					
Taxes	5,296,386	-	-	145,500	5,441,886
Intergovernmental	-	-	-	16,214	16,214
Accrued interest	123	9,645	38,638	-	48,406
Prepayments	48,057	-	-	-	48,057
Materials and supplies inventory	2,117	-	-	18,609	20,726
Restricted assets:					
Equity in pooled cash and cash equivalents	44,549	-	-	-	44,549
Total assets	<u>\$ 6,591,476</u>	<u>\$ 2,526,478</u>	<u>\$ 12,044,833</u>	<u>\$ 356,423</u>	<u>\$ 21,519,210</u>
Liabilities:					
Accounts payable	\$ 984	\$ -	\$ -	\$ 1,778	\$ 2,762
Accrued wages and benefits	887,877	-	-	109,716	997,593
Compensated absences payable	46,354	-	-	-	46,354
Pension obligation payable	232,771	-	-	27,524	260,295
Intergovernmental payable	17,837	-	-	2,207	20,044
Deferred revenue	287,465	7,926	32,582	-	327,973
Unearned revenue	3,596,038	-	-	145,500	3,741,538
Total liabilities	<u>5,069,326</u>	<u>7,926</u>	<u>32,582</u>	<u>286,725</u>	<u>5,396,559</u>
Fund Balances:					
Reserved for encumbrances	36,516	-	-	2,936	39,452
Reserved for materials and supplies inventory	2,117	-	-	18,609	20,726
Reserved for prepayments	48,057	-	-	-	48,057
Reserved for property tax unavailable for appropriation	698,168	-	-	-	698,168
Reserved for school bus purchase	16,019	-	-	-	16,019
Reserved for textbooks	28,530	-	-	-	28,530
Unreserved, undesignated, reported in:					
General fund	692,743	-	-	-	692,743
Special revenue funds	-	-	-	43,529	43,529
Capital projects funds	-	2,518,552	12,012,251	4,624	14,535,427
Total fund balances	<u>1,522,150</u>	<u>2,518,552</u>	<u>12,012,251</u>	<u>69,698</u>	<u>16,122,651</u>
Total liabilities and fund balances	<u>\$ 6,591,476</u>	<u>\$ 2,526,478</u>	<u>\$ 12,044,833</u>	<u>\$ 356,423</u>	<u>\$ 21,519,210</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 16,122,651
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,483,626
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 287,342	
Accrued interest receivable	40,631	
Total		327,973
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(849,415)	
Bond anticipation note payable	(14,500,000)	
Accrued interest payable	(53,630)	
Total		(15,403,045)
Net assets of governmental activities		<u><u>\$ 2,531,205</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 4,892,212	\$ -	\$ -	\$ -	\$ 4,892,212
Tuition.	680,293	-	-	-	680,293
Earnings on investments.	78,451	6,499	24,304	-	109,254
Charges for services	-	-	-	251,987	251,987
Extracurricular.	-	-	-	91,489	91,489
Classroom materials and fees.	32,889	-	-	-	32,889
Other local revenues.	14,276	-	-	-	14,276
Intergovernmental - state.	5,474,981	-	-	41,048	5,516,029
Intergovernmental - federal	-	-	-	964,277	964,277
Total revenues	<u>11,173,102</u>	<u>6,499</u>	<u>24,304</u>	<u>1,348,801</u>	<u>12,552,706</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,313,475	-	-	188,986	4,502,461
Special.	980,009	-	-	310,245	1,290,254
Vocational.	283,988	-	-	27,166	311,154
Other.	924,231	-	-	-	924,231
Support services:					
Pupil.	262,600	-	-	151,669	414,269
Instructional staff	481,869	-	-	124,726	606,595
Board of education	16,289	-	-	-	16,289
Administration.	945,834	-	-	4,705	950,539
Fiscal	410,368	-	-	-	410,368
Operations and maintenance.	862,961	-	-	6,932	869,893
Pupil transportation	732,072	-	-	15,942	748,014
Central.	2,089	-	-	11,123	13,212
Operation of non-instructional services:					
Food service operations.	-	-	-	370,912	370,912
Extracurricular activities.	195,451	-	-	84,728	280,179
Total expenditures	<u>10,411,236</u>	<u>-</u>	<u>-</u>	<u>1,297,134</u>	<u>11,708,370</u>
Excess of revenues over expenditures	<u>761,866</u>	<u>6,499</u>	<u>24,304</u>	<u>51,667</u>	<u>844,336</u>
Other financing sources (uses):					
Transfers in	-	-	11,987,947	-	11,987,947
Transfers (out).	-	(11,987,947)	-	-	(11,987,947)
Issuance of notes	-	14,500,000	-	-	14,500,000
Total other financing sources (uses)	<u>-</u>	<u>2,512,053</u>	<u>11,987,947</u>	<u>-</u>	<u>14,500,000</u>
Net change in fund balances	761,866	2,518,552	12,012,251	51,667	15,344,336
Fund balances at beginning of year.	<u>760,284</u>	<u>-</u>	<u>-</u>	<u>18,031</u>	<u>778,315</u>
Fund balances at end of year	<u>\$ 1,522,150</u>	<u>\$ 2,518,552</u>	<u>\$ 12,012,251</u>	<u>\$ 69,698</u>	<u>\$ 16,122,651</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 15,344,336

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds in the capital outlays current period.

Capital asset additions	\$	87,701	
Current year depreciation		(121,179)	
Total			(33,478)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		25,674	
Intergovernmental revenue		(116,957)	
Earnings on investments		40,602	
Total			(50,681)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. (53,630)

Note issuances are recorded as other financing sources in the funds, however, in the statement of activities, they are not reported as revenues as they increase in liabilities on the statement of net assets. (14,500,000)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (67,231)

Change in net assets of governmental activities \$ 639,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 4,225,064	\$ 4,376,196	\$ 4,298,148	\$ (78,048)
Tuition	619,213	641,362	680,293	38,931
Earnings on investments	75,306	78,000	78,555	555
Classroom materials and fees	30,452	31,541	32,889	1,348
Other local revenues	14,482	15,000	14,276	(724)
Intergovernmental - state	5,448,385	5,643,273	5,474,981	(168,292)
Total revenues	<u>10,412,902</u>	<u>10,785,372</u>	<u>10,579,142</u>	<u>(206,230)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,237,441	4,275,128	4,296,910	(21,782)
Special	1,016,326	1,058,253	1,006,143	52,110
Vocational	259,867	296,720	285,803	10,917
Other	816,006	864,822	924,231	(59,409)
Support services:				
Pupil	256,449	258,907	258,383	524
Instructional staff	485,379	499,792	487,043	12,749
Board of education	18,555	17,426	20,723	(3,297)
Administration	949,230	997,380	948,150	49,230
Fiscal	328,162	417,653	410,108	7,545
Operations and maintenance	917,890	922,692	875,764	46,928
Pupil transportation	651,784	711,557	726,496	(14,939)
Central		3,000	2,089	911
Extracurricular activities	178,489	197,786	196,212	1,574
Total expenditures	<u>10,115,578</u>	<u>10,521,116</u>	<u>10,438,055</u>	<u>83,061</u>
Excess of revenues over expenditures	<u>297,324</u>	<u>264,256</u>	<u>141,087</u>	<u>(123,169)</u>
Other financing sources (uses):				
Advances in	54,973	54,973	54,973	-
Advances (out)	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>4,973</u>	<u>4,973</u>	<u>54,973</u>	<u>50,000</u>
Net change in fund balance	302,297	269,229	196,060	(73,169)
Fund balance at beginning of year	1,003,953	1,003,953	1,003,953	-
Prior year encumbrances appropriated	7,892	7,892	7,892	-
Fund balance at end of year	<u>\$ 1,314,142</u>	<u>\$ 1,281,074</u>	<u>\$ 1,207,905</u>	<u>\$ (73,169)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 7,668	\$ 14,575
Total assets.	7,668	\$ 14,575
Liabilities:		
Accounts payable.	-	\$ 250
Due to students	-	14,325
Total liabilities	-	\$ 14,575
Net Assets:		
Held in trust for scholarships	7,668	
Total net assets	\$ 7,668	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,088
Total additions.	1,088
Deductions:	
Scholarships awarded	801
Change in net assets	287
Net assets at beginning of year	7,381
Net assets at end of year.	\$ 7,668

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Northmor Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 427th largest by total enrollment among the 896 public and community school districts in the State. Current enrollment as of June 30, 2008 was 1,219. The District employed 91 certified employees and 48 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2008, the District paid \$52,500 to the COG for various services. 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.

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 Christopher Bell, Treasurer, Delaware Area Career Center, who serves as fiscal agent, at 1610 State Route 521, Delaware, Ohio 43015.

RELATED ENTITY

Perry Cook Memorial Library (the "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 2008.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Building Fund - The building capital projects fund is used to account for all transactions related to the acquiring, constructing, or improving buildings for the District.

Classroom Facilities Fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from income taxes is recognized in the period in which the income is earned (see Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2008 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination. The Morrow County Commissioners waived this requirement for 2008.
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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 appropriations 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 consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations 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. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund 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 15 provides a reconciliation of the budgetary and GAAP basis of accounting for the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

F. Cash and Investments

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, 1st American Treasury money market, and a certificate of deposit. 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 and non-negotiable certificates of deposits, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$78,451, which includes \$41,659 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District’s capitalization threshold is \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	45 years
Furniture and equipment	5 - 15 years
Vehicles	6 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. Long-term interfund loans that will not be repaid within the next fiscal year are classified as “advances to/from” and are shown as reservations of fund balances on the balance sheet because they are not spendable, available resources. The District did not have any “interfund receivables/payables” or long-term advances receivable and payable at June 30, 2008.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave on employees expected to become eligible to retire in the future, all employees age fifty or older with ten or more years of service or all employees with twenty or more 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 June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, textbooks, school bus purchase and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and textbooks/instructional materials.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
EMIS	\$ 8
Poverty assistance	26
Title I	37,908
Title II-A	16,524
Miscellaneous federal grants	21,835

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year-end, the District had \$425 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$1,400,637. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,521,986 of the District's bank balance of \$1,728,765 was exposed to custodial risk as discussed below, while \$206,779 was covered by the Federal Deposit Insurance Corporation.

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

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLB discount note	\$ 6,926,850	\$ 3,990,400	\$ 2,936,450
FNMA discount note	6,976,832	2,551,732	4,425,100
FHLMC discount note	498,300	498,300	-
1st American treasury money market	121,046	121,046	-
STAR Ohio	<u>42,074</u>	<u>42,074</u>	<u>-</u>
Total	<u>\$ 14,565,102</u>	<u>\$ 7,203,552</u>	<u>\$ 7,361,550</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for STAR Ohio and the 1st American Treasury money market, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the 1st American Treasury money market an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB discount note	\$ 6,926,850	47.56
FNMA discount note	6,976,832	47.90
FHLMC discount note	498,300	3.42
1st American treasury money market	121,046	0.83
STAR Ohio	<u>42,074</u>	<u>0.29</u>
Total	<u>\$ 14,565,102</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,400,637
Investments	14,565,102
Cash on hand	<u>425</u>
Total	<u>\$ 15,966,164</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 15,943,921
Private-purpose trust funds	7,668
Agency funds	<u>14,575</u>
Total	<u>\$ 15,966,164</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to classroom facilities fund from:	
Building fund	<u>\$ 11,987,947</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

This transfer represents the District's local share for the Ohio School Facilities Commission project.

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Morrow County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$698,168 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$164,532 in the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 131,017,360	92.72	\$ 136,239,580	93.56
Public utility personal	8,209,650	5.81	8,131,570	5.58
Tangible personal property	<u>2,069,980</u>	<u>1.47</u>	<u>1,245,600</u>	<u>0.86</u>
Total	<u>\$ 141,296,990</u>	<u>100.00</u>	<u>\$ 145,616,750</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$32.10		\$32.10	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 5,441,886
Accrued interest	48,406
Intergovernmental	<u>16,214</u>
Total	<u>\$ 5,506,506</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/08</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,000	\$ -	\$ -	\$ 139,000
Total capital assets, not being depreciated	<u>139,000</u>	<u>-</u>	<u>-</u>	<u>139,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	396,215	-	-	396,215
Buildings and improvements	2,523,058	45,555	-	2,568,613
Furniture and equipment	811,223	24,880	(6,900)	829,203
Vehicles	929,173	17,266	-	946,439
Total capital assets, being depreciated	<u>4,659,669</u>	<u>87,701</u>	<u>(6,900)</u>	<u>4,740,470</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(170,616)	(14,596)	-	(185,212)
Buildings and improvements	(1,701,967)	(32,469)	-	(1,734,436)
Furniture and equipment	(671,255)	(30,568)	6,900	(694,923)
Vehicles	(737,727)	(43,546)	-	(781,273)
Total accumulated depreciation	<u>(3,281,565)</u>	<u>(121,179)</u>	<u>6,900</u>	<u>(3,395,844)</u>
Governmental activities capital assets, net	<u>\$ 1,517,104</u>	<u>\$ (33,478)</u>	<u>\$ -</u>	<u>\$ 1,483,626</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 28,950
Special	1,724

Support Services:

Administration	5,404
Fiscal	3,840
Operations and maintenance	19,227
Pupil transportation	39,317
Extracurricular activities	18,893
Food service operations	<u>3,824</u>
Total depreciation expense	<u>\$ 121,179</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2008</u>	Amounts Due in <u>One Year</u>
Bond anticipation note	\$ -	\$ 14,500,000	\$ -	\$ 14,500,000	\$ 14,500,000
Compensated absences	<u>882,371</u>	<u>150,855</u>	<u>(137,457)</u>	<u>895,769</u>	<u>91,140</u>
Total governmental activities	<u>\$ 882,371</u>	<u>\$ 14,650,855</u>	<u>\$ (137,457)</u>	<u>\$ 15,395,769</u>	<u>\$ 14,591,140</u>

B. During fiscal year 2008, the District issued a \$14,500,000 bond anticipation note for the construction of a K thru 12 school building and to abate and demolish Iberia and Johnsville elementary schools as well as the Northmor Jr/Sr High School. The notes were issued on May 7, 2008 and mature on November 6, 2008. The note bears an interest rate of 2.50%. The District repaid this note with an issuance of a bond for \$14,500,000 in fiscal year 2009. The liability for this note has been reported as a long-term liability in accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to be Refinanced" since the note has been financed on a long-term basis prior to the issuance of the financial statements. See Note 18 for details on the bond issuance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$12,873,263 and an unvoted debt margin of \$143,036.

NOTE 10 - 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 2008 was \$1,615,567.

NOTE 11 - 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. Administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment.

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 30% of the total sick leave accumulation up to a maximum of seventy-five days.

Compensated absences will be paid from the fund from which the employee is paid, which primarily are the general fund and food service fund (a nonmajor governmental fund).

NOTE 12 - 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 2008, the District retained property insurance coverage, underwritten by Indiana Insurance Company, in the blanket amount of \$20,830,890 with 100% coinsurance, replacement cost and agreed upon endorsement and a \$2,500 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 \$500 deductible for coverage of audio visual equipment, musical instruments and band uniforms.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - RISK MANAGEMENT - (Continued)

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

Nationwide Insurance Companies also provide general liability coverage with a \$1,000,000 single occurrence limit, an aggregate limit of \$3,000,000 with no deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance from the prior 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 and classified employees.

The District has elected to provide a comprehensive medical benefits package to the employees through Medical Mutual of Ohio. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible in network and \$200 single and \$400 family non-network. Included in the plan is a prescription drug card with a \$10/20/30 per prescription deductible for PCS drugs and a \$20/40/60 per prescription deductible for mail-order 3 month supply of drugs. The total monthly premium for the medical and prescription drug plan is \$392.47 for single coverage and \$988.99 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/prescription drug.

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 \$34.37 for single and \$88.36 for family coverage.

The District also provides vision coverage for its employees with no deductible coverage. The total monthly premium is \$16.93 for single or family coverage.

The above employee portions of premiums for medical, dental and vision insurance are for full-time employees.

C. Workers' Compensation Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - RISK MANAGEMENT - (Continued)

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 also carries a blanket employee dishonesty bond in the amount of \$10,000 per loss (\$20,000 for the treasurer) and a \$250 deductible with a faithful performance endorsement.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$109,324, \$116,072 and \$108,338, respectively; 30.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$632,878, \$616,607 and \$572,537 respectively; 82.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,684 made by the District and \$6,851 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$75,194, \$63,508 and \$61,494, respectively; 30.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,877, \$7,893 and \$8,623, respectively; 30.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$46,683, \$47,431 and \$44,041, respectively; 82.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ 196,060
Net adjustment for revenue accruals	593,960
Net adjustment for expenditure accruals	(9,995)
Net adjustment for other sources/uses	(54,973)
Adjustment for encumbrances	<u>36,814</u>
GAAP basis	<u>\$ 761,866</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 65,422	\$ 18,469
Current year set-aside requirement	192,694	192,694
Current year offsets	-	(14,500,000)
Qualifying disbursements	<u>(229,586)</u>	<u>(163,400)</u>
Total	<u>\$ 28,530</u>	<u>\$ (14,452,237)</u>
Balance carried forward to FY 2009	<u>\$ 28,530</u>	<u>\$ (14,452,237)</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount equal or below zero for the textbooks/instructional materials due to budget cuts. In addition to the above statutory reserves, the District also received monies for school bus purchases. The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for capital acquisition reserve, this extra amount may be used to reduce the set-aside requirements for future years. The negative amount is therefore presented as being carried forward to next fiscal year.

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for textbooks/instructional material	\$ 28,530
Amount restricted for purchase of school bus	<u>16,019</u>
Total restricted assets	<u>\$ 44,549</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

On July 21, 2008, the Ohio Schools Facilities Commission (OSFC) approved the project agreement entered into between the District and the OSFC for the construction of school buildings. The total construction project is \$32,399,856 of which the OSFC will provide \$20,411,909 (the State share) and the District will be responsible for the remaining \$11,987,947 (the local share). In order to begin the construction project, the District issued bond anticipation notes in fiscal year 2008 in the amount of \$14,500,000 (see Note 9).

On August 14, 2008, the District issued Series 2008 construction bonds to provide long-term financing of the District's local share of the construction project. The Series 2008 Construction bonds consist of current interest serial bonds in the amount of \$4,395,000, current interest term bonds in the amount of \$9,780,000 and capital appreciation bonds in the amount of \$325,000. The current interest serial bonds bear interest rates ranging from 3.25% to 5% and mature on November 1, 2023. The current interest term bonds bear interest rates ranging from 4.75% to 5% and mature on November 1, 2036. The capital appreciation bonds have effective interest rates ranging from 12.96% to 13.33% and mature on November 1, 2019, 2020 and 2021.

On November 6, 2008 the District retired the \$14,500,000 bond anticipation notes that were issued on May 7, 2008. The bond anticipation notes were retired using proceeds from the Series 2008 construction bonds. See note 9 for further detail on the bond anticipation notes that were issued in fiscal year 2008.

SUPPLEMENTARY DATA

**NORTHMOR LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) Food Donation	10.550	2008	\$ 18,059	\$ 18,059
Total Food Donation			<u>18,059</u>	<u>18,059</u>
(D) National School Lunch Program	10.555	2007	18,028	18,028
(D) National School Lunch Program	10.555	2008	115,211	115,211
Total National School Lunch Program			<u>133,239</u>	<u>133,239</u>
Total U.S. Department of Agriculture and Nutrition Cluster			<u>151,298</u>	<u>151,298</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2007	38,677	19,823
Title I Grants to Local Educational Agencies	84.010	2008	215,857	209,722
Total Title I Grants to Local Educational Agencies			<u>254,534</u>	<u>229,545</u>
Special Education_Grants to States	84.027	2007	14,876	32,165
Special Education_Grants to States	84.027	2008	226,416	166,172
Total Special Education _Grants to States			<u>241,292</u>	<u>198,337</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2007	2,281	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	5,449	5,449
Total Safe and Drug-Free Schools and Communities_State Grants			<u>7,730</u>	<u>5,449</u>
Twenty-First Century Community Learning Center:	84.287	2007	53,481	28,297
Twenty-First Century Community Learning Center:	84.287	2008	224,667	224,667
Total Twenty-First Century Community Learning Center			<u>278,148</u>	<u>252,964</u>
(E) State Grants for Innovative Programs	84.298	2007	(237)	-
(E) State Grants for Innovative Programs	84.298	2008	686	686
Total State Grants for Innovative Programs			<u>449</u>	<u>686</u>
(E) Education Technology State Grants	84.318	2007	266	-
(E) Education Technology State Grants	84.318	2008	3,128	2,864
Total Education Technology State Grants			<u>3,394</u>	<u>2,864</u>
Improving Teacher Quality State Grants	84.367	2007	20,460	15,878
Improving Teacher Quality State Grants	84.367	2008	71,825	71,613
Total Improving Teacher Quality State Grants			<u>92,285</u>	<u>87,491</u>
Total U.S. Department of Education			<u>877,832</u>	<u>777,336</u>
Total Federal Financial Assistance			<u>\$ 1,029,130</u>	<u>\$ 928,634</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2008
 (B) This schedule was prepared on the cash basis of accounting
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
 (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
 (E) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
State Grants for Innovative Programs	84.298	2007	\$ 511	
State Grants for Innovative Programs	84.298	2008		\$ 511
Education Technology State Grants	84.318	2007	\$ 469	
Education Technology State Grants	84.318	2008		\$ 469
Totals			<u>\$ 980</u>	<u>\$ 980</u>



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Northmor Local School District
5247 County Road 29
Galion, OH 44833

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Northmor Local School District's basic financial statements and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northmor Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northmor Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Northmor Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Northmor Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Northmor Local School District's financial statements that is more than inconsequential will not be prevented or detected by Northmor Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Northmor Local School District's internal control.

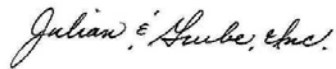
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Northmor Local School District

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Board of Education of Northmor Local School District 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 19, 2008



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
Northmor Local School District
5247 County Road 29
Galion, OH 44833

Compliance

We have audited the compliance of Northmor Local School District, Morrow County, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Northmor Local School District's major federal programs are 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 each of its major federal programs is the responsibility of Northmor Local School District's management. Our responsibility is to express an opinion on Northmor Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northmor Local School 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 Northmor Local School District's compliance with those requirements.

In our opinion, Northmor Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of Northmor Local School 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 Northmor Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northmor Local School District's internal control over compliance.

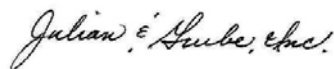
Board of Education
Northmor Local School District

A control deficiency in Northmor Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Northmor Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Northmor Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Northmor Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of Northmor Local School District 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.



Julian & Grube, Inc.
December 19, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010; Safe and Drug Free Schools and Communities – State Grants, CFDA #84.186
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 17, 2009