



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Northmor Local School District  
Morrow County  
5247 County Road 29  
Galion, Ohio 44833

To the Board of Education:

We have audited the accompanying general purpose financial statements of Northmor Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Northmor Local School District, Morrow County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the 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 **November 16, 2001**, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

November 16, 2001

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>								
<b>ASSETS:</b>								
Equity in Pooled Cash and Cash Equivalents	\$1,119,636	\$242,308	\$31,392	\$25,910	\$25,405			\$1,444,651
<b>Receivables (Net of Allowances of Uncollectibles):</b>								
Taxes - Current & Delinquent Accounts	3,915,695							3,915,695
Accrued Interest	30							30
Due from Other Governments	3,729							3,729
Interfund Loan Receivable	18,782	31,644						50,426
Prepayments	1,700							1,700
Materials and Supplies Inventory	19,250							19,250
	7,208			6,203				13,411
<b>Restricted Assets:</b>								
Equity in Pooled Cash and Cash Equivalents	31,150							31,150
Property, Plant and Equipment (Net of Accumulated Depreciation Where Applicable)				11,452		\$4,799,008		4,810,460
<b>OTHER DEBITS:</b>								
Amount to be Provided for Retirement of General Long-Term Obligations							\$645,367	645,367
<b>Total Assets and Other Debits</b>	<b>\$5,117,180</b>	<b>\$273,952</b>	<b>\$31,392</b>	<b>\$43,565</b>	<b>\$25,405</b>	<b>\$4,799,008</b>	<b>\$645,367</b>	<b>\$10,935,869</b>

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

**Continued**

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
JUNE 30, 2001**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>								
<b>LIABILITIES:</b>								
Accounts Payable	\$4,593							\$4,593
Accrued Wages and Benefits	599,813	\$30,477		\$22,487				652,777
Compensated Absences Payable	7,638			19,857			\$589,190	616,685
Pension Obligation Payable	100,236	5,016		9,855			56,177	171,284
Interfund Loan Payable		1,700						1,700
Deferred Revenue	3,201,266	31,644		4,337				3,237,247
Due to Students					\$20,076			20,076
<b>Total Liabilities</b>	<b>3,913,546</b>	<b>68,837</b>	<b>0</b>	<b>56,536</b>	<b>20,076</b>	<b>0</b>	<b>645,367</b>	<b>4,704,362</b>
<b>EQUITY AND OTHER CREDITS:</b>								
Investment in General Fixed Assets						\$4,799,008		4,799,008
Contributed Capital				3,900				3,900
<b>Retained Earnings (Accumulated Deficit):</b>								
Unreserved				(16,871)				(16,871)
<b>Fund Balances:</b>								
Reserved for Encumbrances	128,714	17,122	\$9,051					154,887
Reserved for Prepayments	19,250							19,250
Reserved for Materials and Supplies Inventory	7,208							7,208
Reserved for Tax Revenue Unavailable For Appropriation	302,330							302,330
Reserved for Budget Stabilization	31,150							31,150
Unreserved-Undesignated	714,982	187,993	22,341		5,329			930,645
<b>Total Equity and Other Credits</b>	<b>1,203,634</b>	<b>205,115</b>	<b>31,392</b>	<b>(12,971)</b>	<b>5,329</b>	<b>4,799,008</b>	<b>0</b>	<b>6,231,507</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$5,117,180</b>	<b>\$273,952</b>	<b>\$31,392</b>	<b>\$43,565</b>	<b>\$25,405</b>	<b>\$4,799,008</b>	<b>\$645,367</b>	<b>\$10,935,869</b>

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



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>					
<b>From Local Sources:</b>					
Taxes	\$3,122,701				\$3,122,701
Tuition	2,388				2,388
Earnings on Investments	104,687	\$1,297			105,984
Extracurricular		82,388			82,388
Other Local Revenues	42,116	300		\$290	42,706
Intergovernmental - State	4,174,255	120,518	\$38,730		4,333,503
Intergovernmental - Federal		303,617			303,617
Total Revenue	<u>7,446,147</u>	<u>508,120</u>	<u>38,730</u>	<u>290</u>	<u>7,993,287</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,457,056	138,247	72,341		3,667,644
Special	533,361	268,371			801,732
Vocational	179,244				179,244
Other	12,742				12,742
<b>Support Services:</b>					
Pupil	179,254	6,505			185,759
Instructional Staff	728,565	2,485			731,050
Board of Education	49,867				49,867
Administration	755,121	1,370			756,491
Fiscal	183,407	32			183,439
Operations and Maintenance	862,222				862,222
Pupil Transportation	563,274				563,274
Extracurricular Activities	135,941	80,584		1,000	217,525
Total Expenditures	<u>7,640,054</u>	<u>497,594</u>	<u>72,341</u>	<u>1,000</u>	<u>8,210,989</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(193,907)</u>	<u>10,526</u>	<u>(33,611)</u>	<u>(710)</u>	<u>(217,702)</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In		18,738			18,738
Operating Transfers Out	<u>(53,738)</u>				<u>(53,738)</u>
Total Other Financing Sources (Uses)	<u>(53,738)</u>	<u>18,738</u>	<u>0</u>	<u>0</u>	<u>(35,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(247,645)</u>	<u>29,264</u>	<u>(33,611)</u>	<u>(710)</u>	<u>(252,702)</u>
Fund Balances, July 1, 2000	1,448,288	175,851	65,003	6,039	1,695,181
Increase in Reserve for Inventory	2,991				2,991
Fund Balances, June 30, 2001	<u>\$1,203,634</u>	<u>\$205,115</u>	<u>\$31,392</u>	<u>\$5,329</u>	<u>\$1,445,470</u>

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

NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>												
<b>From Local Sources:</b>												
Taxes	\$2,956,397	\$2,957,286	\$889							\$2,956,397	\$2,957,286	\$889
Tuition	2,387	2,388	1							2,387	2,388	1
Earnings on Investments	107,669	107,701	32	\$1,297	\$1,297	\$0				108,966	108,998	32
Extracurricular				72,388	72,388	0				72,388	72,388	0
Other Local Revenues	42,073	42,086	13	300	300	0				42,373	42,386	13
Intergovernmental - State	4,139,168	4,140,412	1,244	120,518	120,519	1	\$38,730	\$38,730	\$0	4,298,416	4,299,661	1,245
Intergovernmental - Federal				346,602	347,237	635				346,602	347,237	635
Total Revenues	<u>7,247,694</u>	<u>7,249,873</u>	<u>2,179</u>	<u>541,105</u>	<u>541,741</u>	<u>636</u>	<u>38,730</u>	<u>38,730</u>	<u>0</u>	<u>7,827,529</u>	<u>7,830,344</u>	<u>2,815</u>
<b>Expenditures:</b>												
<b>Current:</b>												
<b>Instruction:</b>												
Regular	3,493,629	3,494,674	(1,045)	128,445	155,464	(27,019)	51,473	81,686	(30,213)	3,673,547	3,731,824	(58,277)
Special	533,002	528,143	4,859	315,064	269,107	45,957				848,066	797,250	50,816
Vocational	178,125	181,505	(3,380)							178,125	181,505	(3,380)
Other	16,758	12,742	4,016							16,758	12,742	4,016
<b>Support Services:</b>												
Pupil	173,891	182,391	(8,500)	14,855	6,505	8,350				188,746	188,896	(150)
Instructional Staff	711,473	784,739	(73,266)	2,834	2,503	331				714,307	787,242	(72,935)
Board of Education	41,614	50,826	(9,212)							41,614	50,826	(9,212)
Administration	754,150	766,233	(12,083)	5,000	1,370	3,630				759,150	767,603	(8,453)
Fiscal	189,171	182,723	6,448	0	32	(32)				189,171	182,755	6,416
Operations and Maintenance	1,105,056	919,647	185,409							1,105,056	919,647	185,409
Pupil Transportation	522,587	568,721	(46,134)							522,587	568,721	(46,134)
Extracurricular Activities	126,218	136,317	(10,099)	66,240	81,094	(14,854)				192,458	217,411	(24,953)
Total Expenditures	<u>7,845,674</u>	<u>7,808,661</u>	<u>37,013</u>	<u>532,438</u>	<u>516,075</u>	<u>16,363</u>	<u>51,473</u>	<u>81,686</u>	<u>(30,213)</u>	<u>8,429,585</u>	<u>8,406,422</u>	<u>23,163</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(597,980)</u>	<u>(558,788)</u>	<u>39,192</u>	<u>8,667</u>	<u>25,666</u>	<u>16,999</u>	<u>(12,743)</u>	<u>(42,956)</u>	<u>(30,213)</u>	<u>(602,056)</u>	<u>(576,078)</u>	<u>25,978</u>
<b>Other Financing Sources (Uses):</b>												
Refund of Prior Year's Expenditures	16,156	16,161	5	10,000	10,000	0				26,156	26,161	5
Operating Transfers In	84,692	84,717	25	18,738	18,738	0				103,430	103,455	25
Operating Transfers Out	(105,000)	(138,455)	(33,455)							(105,000)	(138,455)	(33,455)
Total Other Financing Sources (Uses)	<u>(4,152)</u>	<u>(37,577)</u>	<u>(33,425)</u>	<u>28,738</u>	<u>28,738</u>	<u>0</u>				<u>24,586</u>	<u>(8,839)</u>	<u>(33,425)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(602,132)</u>	<u>(596,365)</u>	<u>5,767</u>	<u>37,405</u>	<u>54,404</u>	<u>16,999</u>	<u>(12,743)</u>	<u>(42,956)</u>	<u>(30,213)</u>	<u>(577,470)</u>	<u>(584,917)</u>	<u>(7,447)</u>
Fund Balances, July 1, 2000	1,535,227	1,535,227	0	159,091	159,091	0	65,027	65,027	0	1,759,345	1,759,345	0
Prior Year Encumbrances Appropriated	76,620	76,620	0	11,183	11,183	0	270	270	0	88,073	88,073	0
Fund Balances, June 30, 2001	<u>\$1,009,715</u>	<u>\$1,015,482</u>	<u>\$5,767</u>	<u>\$207,679</u>	<u>\$224,678</u>	<u>\$16,999</u>	<u>\$52,554</u>	<u>\$22,341</u>	<u>(\$30,213)</u>	<u>\$1,269,948</u>	<u>\$1,262,501</u>	<u>(\$7,447)</u>

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Tuition and Fees	\$398
Sales/Charges for Services	225,788
	226,186
<b>Operating Expenses:</b>	
Personal Services	197,019
Contract Services	1,962
Materials and Supplies	170,875
Depreciation	1,037
	370,893
Operating Loss	(144,707)
<b>Nonoperating Revenues:</b>	
Operating Grants	83,597
Interest Revenue	129
Federal Commodities	26,550
	110,276
Net Loss Before Operating Transfers	(34,431)
Operating Transfers In	35,000
Net Income	569
Retained Earnings (Accumulated Deficit) at July 1, 2001	(17,440)
Retained Earnings (Accumulated Deficit) at June 30, 2001	(\$16,871)

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Tuition and Fees	\$398
Cash Received From Sales/Service Charges	225,788
Cash Payments for Personal Services	(197,228)
Cash Payments for Contract Services	(2,118)
Cash Payments for Materials and Supplies	(143,803)
Net Cash Used In	
Operating Activities	(116,963)
<b>Cash Flows From Noncapital Financing Activities:</b>	
Cash Received From Operating Grants	83,597
Transfers in From Other Funds	35,000
Net Cash Provided by Noncapital	
Financing Activities	118,597
<b>Cash Flows from Investing Activities:</b>	
Interest Received	129
Net Cash Provided by Investing Activities	129
Net Increase In	
Cash and Cash Equivalents	1,763
Cash and Cash Equivalents at Beginning of Year	24,147
Cash and Cash Equivalents at End of Year	\$25,910
<b>Reconciliation of Operating Loss To</b>	
<b>Net Cash Used in Operating Activities:</b>	
Operating Loss	(\$144,707)
<b>Adjustments to Reconcile Operating Loss</b>	
<b>To Net Cash Provided by Operating Activities:</b>	
Depreciation	1,037
Federal Donated Commodities	26,550
<b>Changes in Assets and Liabilities:</b>	
Decrease in Materials and Supplies Inventory	1,021
Decrease in Accounts Payable	(156)
Decrease in Accrued Wages and Benefits	(3,611)
Increase in Compensated Absences Payable	1,969
Increase in Pension Obligation Payable	1,433
Decrease in Deferred Revenue	(499)
Net Cash Used In	
Operating Activities	(\$116,963)

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**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 428<sup>th</sup> largest by total enrollment among the 682 public and community school districts in the State. Average daily membership as of June 30, 2001 was 1,283. The District employed 89 certified employees and 51 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**A. Reporting Entity (Continued)**

**Jointly Governed Organizations**

**Heartland Council of Governments (the COG)**

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

**The Work Force Preparation Regional Council of Governments**

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

**Related Entity**

**Perry Cook Memorial Library**

The District appoints the governing board of the Library, however, the District cannot influence the Library's operation nor does the Library represent a potential financial benefit for or burden on the District. The District serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the District must place the levy on the ballot. The Library may not issue debt. The Library did not receive any funding from the District during 2001.

**Public Entity Risk Pool**

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. Fund Accounting**

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

**Governmental Funds**

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

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

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

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Funds**

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. Fund Accounting (Continued)**

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (See Note 3.D.).

**Account Groups**

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

**General Fixed Assets Account Group** - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group** - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2002 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as an advance at June 30. This amount is recognized as revenue.



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**C. Measurement Focus/Basis of Accounting (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 the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from income taxes is recognized in the fiscal year in which the underlying exchange occurred and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property or income taxes.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds, except the agency fund. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**D. Budgets (Continued)**

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
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 appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types. The District had no encumbrances outstanding for the enterprise funds at fiscal year-end.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**E. Cash and Investments**

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

During fiscal year 2001, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board, investment earnings are assigned to the general fund, Public School Support and District Managed Student Activity special revenue funds, in addition to those funds required to receive interest by state statute. During fiscal year 2001, interest revenue credited to the general fund amounted to \$104,687 which included \$16,281 assigned from other District funds.

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

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

**F. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**F. Fixed Assets and Depreciation (Continued)**

2. Proprietary Funds

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

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

**G. Intergovernmental Revenues**

The District currently participates in various state and federal programs categorized as follows:

***Entitlements***

**General Fund**

State Foundation Program  
State Property Tax Relief  
School Bus Reimbursement

***Non-Reimbursable Grants***

**Special Revenue Funds**

Title VI  
Education Management Information Systems (EMIS)  
Title VI-B  
Title I  
Disadvantaged Pupil Impact Aid  
Local Professional Development Block Grant  
Network Connectivity  
SchoolNet Professional Development  
Ohio Reads  
Community Grant  
School Conflict  
Safe School Help Line  
Eisenhower  
Title VI-R  
Ohio Reads Coordinator Stipend  
Summer School  
Extended Learning

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

***Non-Reimbursable Grants - (Continued)***

**Capital Projects Funds**

Vocational Education Equipment  
SchoolNet Plus  
Technology Equity

***Reimbursable Grants***

**General Fund**

Driver Education Reimbursement  
Vocational Education Consumer/Homemaking

**Enterprise Fund**

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 57 percent of the District's operating revenue during the 2001 fiscal year.

**H. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**I. Long-Term Obligations**

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

**J. Fund Equity**

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

**K. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements are reflected as "interfund loans receivable and payable". The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 19.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**M. Contributed Capital**

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

**N. Estimates**

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

**O. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, inventory at fiscal year end is reported as an asset of the respective fund, and is equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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

**P. Prepayments**

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

**Q. Memorandum Only - Total Columns**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting of Certain Shared Nonexchange Revenues", were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no material effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**B. Deficit Fund Balance/Retained Earnings**

Fund balances/retained earnings at June 30, 2001 included the following individual fund deficits:

	<b>Deficit Balance</b>
<b>Special Revenue Funds</b>	
Disadvantaged Pupil Impact Aid	\$ 117
 <b>Enterprise Funds</b>	
Food Service	16,871

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

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

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

**C. Compliance**

The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2001:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Excess</b>
<b>Special Revenue Funds</b>			
District Managed Activities	47,740	69,389	21,649
Teacher Development	630	6,756	6,126
Data Communication	0	4,875	4,875
Ohio Reads	42,136	62,795	20,659
Title VI-R	39,644	42,782	3,138



**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**C. Compliance (Continued)**

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<b><u>Capital Projects Funds</u></b>			
SchoolNet	50,248	68,249	18,001
Technology Equity	1,225	13,437	12,212
Expendable Trust Fund	0	1,000	1,000
<b><u>Enterprise Fund</u></b>			
Food Service	334,858	342,751	7,893

**D. Agency Fund**

The following is an accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$70

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

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

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed 25% of the interim monies available for investment at any one time.

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

*Deposits:* At year-end, the carrying amount of the District's deposits was (\$22,399) and the bank balance was \$260,956. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments." Of the bank balance:

1. \$100,000 was covered by federal deposit insurance; and
2. \$160,956 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees pursuant to section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being held in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	<b>Category 3</b>	<b>Reported Amount</b>	<b>Fair Value</b>
Repurchase agreement	<u>\$406,000</u>	\$ 406,000	\$ 406,000
Investment in STAR Ohio		<u>1,092,000</u>	<u>1,092,000</u>
Total investments		<u>\$1,498,000</u>	<u>\$1,498,000</u>

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

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

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
Per GASB Statement No. 9	\$ 1,475,801	\$ 0
Investments of the cash management pool:		
Repurchase agreement	(406,000)	406,000
Investment in STAR Ohio	(1,092,000)	1,092,000
Cash on hand	(200)	---
Per GASB Statement No. 3	<u>\$ (22,399)</u>	<u>\$1,498,000</u>

**5. INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2001 consist of the following individual interfund loans receivable and payable:

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

**B.** The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ ---	\$53,738
<u>Special Revenue Funds</u>		
District Managed Student Activities	10,000	---
Title I	8,738	---
<u>Enterprise Fund</u>		
Food Service	35,000	---
Total	<u>\$53,738</u>	<u>\$53,738</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. PROPERTY TAXES**

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$102,096,860 rural/residential and public utility/minerals real estate represented \$81,568,080 or 79.89% of this total, commercial and industrial real estate represented \$3,408,900 or 3.34% of this total, public utility tangible represented \$13,004,370 or 12.74% of this total and general tangible property represented \$4,115,510 or 4.03% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$27.40 per \$1,000 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available for an advance at June 30 is recognized as revenue. \$302,330 was available to the District as an advance at June 30, 2001.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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

**7. SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax effective June 2, 1992. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2001 was \$936,935.

**8. RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements. Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<b><u>General Fund</u></b>	
Taxes - current and delinquent	\$3,915,695
Accounts	30
Accrued interest	3,729
Due from other governments	18,782
Interfund Loan Receivable	1,700
<b><u>Special Revenue Funds</u></b>	
Due from other governments	31,644

**9. FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/Improvements	\$ 180,446	\$ - - -	\$ - - -	\$ 180,446
Buildings/Improvements	2,259,135	41,536	- - -	2,300,671
Furniture/Equipment	1,088,974	320,537	- - -	1,409,511
Vehicles	819,803	104,372	(15,795)	908,380
Total	<u>\$ 4,348,358</u>	<u>\$466,445</u>	<u>\$(15,795)</u>	<u>\$ 4,799,008</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. FIXED ASSETS (Continued)**

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 88,420
Less: accumulated depreciation	<u>(76,968)</u>
Net fixed assets	<u>\$ 11,452</u>

**10. CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended June 30, 2001 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$3,900
Current contributions from other funds	<u>---</u>
Contributed capital, June 30, 2001	<u>\$3,900</u>

**11. LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences	\$588,901	\$19,614	\$(19,325)	\$589,190
Pension obligation payable	<u>48,937</u>	<u>56,177</u>	<u>(48,937)</u>	<u>56,177</u>
Total	<u>\$637,838</u>	<u>\$75,791</u>	<u>\$(68,262)</u>	<u>\$645,367</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$9,188,717 and an unvoted debt margin of \$102,097.

**12. COMPENSATED ABSENCES**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. COMPENSATED ABSENCES (Continued)**

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.

**13. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2001, the District retained property insurance coverage, underwritten by Indiana Insurance Company, in the blanket amount of \$10,927,934 with 90% coinsurance, replacement cost endorsement and a \$500 deductible. Boiler and machinery coverage is provided within the property coverage and limits. The District also has inland marine floaters in the amount of \$63,677 with a \$100 deductible for coverage of audio visual equipment, musical instruments and band uniforms.

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

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

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

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

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

The District has elected to provide a comprehensive medical benefits package to the employees through Medical Mutual of Ohio. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Included in the plan is a prescription drug card with a \$3 per prescription deductible for PCS drugs and a \$5 per prescription deductible for mail-order drugs. The total monthly premium for the medical and prescription drug plan is \$270.33 for single coverage and \$681.21 for family coverage which is paid out of the same fund that pays the salary for the employee.



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**13. RISK MANAGEMENT (Continued)**

**B. Employee Group Life, Medical, Dental, and Vision Insurance - (Continued)**

The employee pays 15% of the medical premium, while the District pays the remaining 85% of the medical premium and 100% of the Dental/Vision premium. The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations.

The District provides dental coverage for its employees with a \$25 deductible per person, or \$50 deductible for a family. The total monthly premium for this dental coverage is \$22.47 for single and \$57.76 for family coverage.

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

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

**C. Worker's Compensation**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**D. Employee Dishonesty Bonds**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**14. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 225,788	\$398	\$ 226,186
Operating expense before depreciation	369,458	398	369,856
Depreciation	1,037	---	1,037
Operating loss	(144,707)	---	(144,707)
Federal donated commodities	26,550	---	26,550
Operating grants	83,597	---	83,597
Net income	569	---	569
Net working capital	(4,566)	---	(4,566)
Total assets	43,565	---	43,565
Total liabilities	56,536	---	56,536
Contributed capital	3,900	---	3,900
Total equity	(12,971)	---	(12,971)

**15. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute an actuarial determined rate of 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligation to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$37,780, \$45,170, and \$62,629, respectively; 35.72% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$24,285, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$346,085, \$212,212, and \$197,757, respectively; 84.06% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$55,141, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The Board's liability is 6.2% of wages paid.

**16. POSTEMPLOYMENT BENEFITS**

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. POSTEMPLOYMENT BENEFITS (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$163,935 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 million at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$99,269 during the 2001 fiscal year.

**17. BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Comparison Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. BUDGETARY BASIS OF ACCOUNTING (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>
Budget basis	\$(596,365)	\$ 54,404	\$(42,956)
Net adjustment for revenue accruals	196,274	(33,621)	- - -
Net adjustment for expenditure accruals	35,300	1,359	294
Net adjustment for other financing sources (uses)	(16,161)	(10,000)	- - -
Encumbrances (budget basis)	<u>133,307</u>	<u>17,122</u>	<u>9,051</u>
GAAP basis	<u><u>\$(247,645)</u></u>	<u><u>\$ 29,264</u></u>	<u><u>\$(33,611)</u></u>

**18. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**18. CONTINGENCIES (Continued)**

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 16, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon reconsideration.

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

**19. STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ - - -	\$ 33,690	\$ 125,368
Current year set-aside requirement	176,198	176,198	- - -
Elimination of budget stabilization reserve	- - -	- - -	(94,218)
Current year offsets	- - -	- - -	- - -
Qualifying disbursements	<u>(409,004)</u>	<u>(230,049)</u>	<u>- - -</u>
Total	<u>\$ (232,806)</u>	<u>\$ (20,161)</u>	<u>\$ 31,150</u>
Cash balance carried forward to FY 2002	<u>\$ (232,806)</u>	<u>\$ - - -</u>	<u>\$ 31,150</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**19. STATUTORY RESERVES (Continued)**

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Except for the unspent portion of certain workers' compensation refunds, monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for budget stabilization	<u>\$31,150</u>
Total restricted assets	<u>\$31,150</u>

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$ 0	\$ 26,052	\$ 0	\$ 26,549
National School Lunch Program	48819 LL-P4 0000 48819 LL-P1 0000	10.555	19,127 60,342	0 0	19,127 60,342	0 0
Total National School Lunch Program			79,469	0	79,469	0
Total U.S. Department of Agriculture - Nutrition Cluster			79,469	26,052	79,469	26,549
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	48819 C1-S1 2000 48819 C1-S1 2001	84.010	46,001 199,021	0 0	58,189 166,439	0 0
Total Title I Grants to Local Educational Agencies			245,022	0	224,628	0
Special Education Grants to States	48819 6B-SF 2000 48819 6B-SF 2001	84.027	5,358 45,428	0 0	12,652 34,330	0 0
Total Special Education Grants to States			50,786	0	46,982	0
Eisenhower Professional Development State Grant	48819 MS-S1 2000 48819 MS-S1 2001	84.281	999 6,250	0 0	3,155 1,732	0 0
Total Eisenhower Professional Development State Grant			7,249	0	4,887	0
Innovative Education Program Strategies	48819 C2-S1 2000 48819 C2-S1 2001	84.298	4,409 1,158	0 0	2,915 0	0 0
Total Innovative Education Program Strategies			5,567	0	2,915	0
Safe and Drug Free Schools and Community - State Grant	48819 DR-S1 2001	84.186	1,618	0	1,618	0
Reducing Class Size	48819 CR-S1 2000 48819 CR-S1 2001	84.340	21,960 23,773	0 0	21,901 20,881	0 0
Total Reducing Class Size			45,733	0	42,782	0
Total U.S. Department of Education			355,975	0	323,812	0
<b>Total Federal Awards</b>			<b>\$ 435,444</b>	<b>\$ 26,052</b>	<b>\$ 403,281</b>	<b>\$ 26,549</b>

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**FOR THE YEAR ENDED JUNE 30, 2001**

**NOTES TO SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Award Receipts and Expenditures summarizes the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. At June 30, 2001, the District had no significant commodities in inventory.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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

Northmor Local School District  
Morrow County  
5247 County Road 29  
Galion, Ohio 44833

To the Board of Education:

We have audited the financial statements of Northmor Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 16, 2001. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10659-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 16, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 16, 2001.

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

**JIM PETRO**  
Auditor of State

November 16, 2001



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

Northmor Local School District  
Morrow County  
5247 County Road 29  
Galion, Ohio 44833

To the Board of Education:

We have audited the compliance of Northmor Local School District, Morrow County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

**Compliance**

We conducted our audit of compliance in accordance with 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

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

**JIM PETRO**  
Auditor of State

November 16, 2001

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2001-10659-001</b>
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**Expenditures Exceed Appropriations**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Board of Education.

Expenditures exceeded appropriations at the fund level, which is the legal level of control, in the following funds as of June 30, 2001:

Fund	Fund Name	Appropriations	Budgetary Expenditures	Variance
007	Miscellaneous Trust	\$0	\$1,000	(\$1,000)
300	Extracurricular Activities	47,741	69,389	(21,648)
416	Professional Development	630	6,756	(6,126)
451	Connectivity Grant	0	4,875	(4,875)
459	Ohio Reads	42,132	62,795	(20,663)
599	Title VI-R	39,644	42,782	(3,138)
450	ONEnet FY '01	50,248	68,248	(18,000)
454	Technology Equity Fund	1,225	13,437	(12,212)
006	Food Service	334,858	342,751	(7,893)

We recommend the District Treasurer and the Board of Education monitor budget vs. actual reports throughout the year to ensure expenditures do not exceed appropriations at the legal level of control. In order to keep expenditures within appropriated amounts, the Board of Education may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another. We also recommend the Treasurer not pay expenditures that exceed appropriations until the appropriations are properly amended.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-10659-001	Ohio Rev. Code Section 5705.41 (B) Expenditures exceeded appropriations at the legal level of control at year end and throughout the year.	No	Not Corrected - This citation is repeated in the current audit period as finding no. 2001-10659-001.
2000-10659-002	The amount of estimated revenue and appropriations posted to the District's revenue ledger significantly varied from the amounts certified by the County Budget Commission. Also, the Board did not monitor budget vs actual revenues and expenditures on a monthly basis.	No	Partially Corrected - A similar finding concerning the District's estimated revenues and monitoring of budget versus actual revenues is reported in the management letter.





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**NORTHMOR LOCAL SCHOOL DISTRICT**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 3, 2002**