

NORTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

SINGLE AUDIT

JULY 1, 2007 – JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2008

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**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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Board of Education
Northern Local School District
8700 Sheridan Drive
Thornville, Ohio 43076

Independent Auditors' Report

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio, as of June 30, 2008, and the respective changes in the modified cash basis financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Northern Local School District
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting primarily of inquiries of management regarding the method of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
November 7, 2008

Northern Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

As management of the Northern Local School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the Northern Local School District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the basic financial statements.

Financial Highlights

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities decreased \$154,044.
- General cash receipts accounted for \$20,653,919 in cash receipts or 81 percent of all cash receipts. Program specific cash receipts in the form of charges for services and sales, operating grants and contributions accounted for \$4,841,691 or 19 percent of total receipts of \$25,495,610.
- The School District had \$25,649,654 in cash disbursements related to governmental activities; only \$4,841,691 of these cash disbursements were offset by program specific charges for services and sales, operating grants and contributions. General cash receipts of \$20,653,919 were needed to provide for these programs.
- The School District's only major fund is the general fund. The general fund had \$19,074,793 in cash receipts and other financing sources and \$19,275,760 in cash disbursements. The general fund's balance decreased \$200,967.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, and presents an aggregate view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities – Modified Cash Basis

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2008?” The Statement of Net Assets and the Statement of Activities answer this question. These statements are presented on the modified cash basis of accounting. This basis of accounting only takes into account the receipts that were received and the disbursements that were paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District’s activities are all reported as Governmental.

- Governmental Activities – All of the School District’s programs and services are reported here including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 13. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s only major governmental fund is the general fund.

Governmental Funds Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Proprietary Fund The School District maintains an internal service fund that is used to account for enterprise – like operations that provide services, on a user fee basis, primarily or exclusively to departmental customers within the governmental entity itself, rather than to external customers. The School District uses an internal service fund to account for its risk management related to medical/surgical and dental self-insurance. Because these services predominately benefit governmental activities they have been included within the governmental activities in the government –wide financial statements.

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

Fiduciary Funds These funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School District's own programs. The School District has student activity agency funds and private purpose trust funds.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 4,062,389	\$ 4,216,433
Total Assets	<u>\$ 4,062,389</u>	<u>\$ 4,216,433</u>
Net Assets		
Restricted for:		
Capital Projects	\$ 76,590	\$ 150,054
Debt Service	511,130	232,950
Set Asides	59,192	59,192
Claims	37,000	37,000
Other Purposes	536,268	533,160
Unrestricted	<u>2,842,209</u>	<u>3,204,077</u>
Total Net Assets	<u>\$ 4,062,389</u>	<u>\$ 4,216,433</u>

As mentioned previously, net assets of governmental activities decreased \$154,044 or 4 percent from 2007.

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Home of the Generals

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 in comparison to June 30, 2007.

Table 2
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
	<u>2008</u>	<u>2007</u>
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,307,647	\$ 1,254,640
Operating Grants and Contributions	3,534,044	3,349,493
Total Program Cash Receipts	<u>4,841,691</u>	<u>4,604,133</u>
General Cash Receipts:		
Property Taxes	6,984,965	4,899,376
Grants and Entitlements	13,436,698	10,691,295
Investment Earnings	161,964	170,506
Sale of Capital Assets	1,452	1,298
Miscellaneous	68,840	139,724
Total General Cash Receipts	<u>20,653,919</u>	<u>15,902,199</u>
Total Cash Receipts	<u>25,495,610</u>	<u>20,506,332</u>
Program Cash Disbursements:		
Instruction:		
Regular	8,178,673	7,827,354
Special	1,514,246	1,373,178
Vocational	263,384	255,396
Other	858,699	792,272
Support Services:		
Pupils	1,346,142	1,205,103
Instructional Staff	999,255	942,610
Board of Education	778,018	599,210
Administration	1,488,854	1,398,823
Fiscal	730,445	488,834
Business	23,665	22,976
Operation and Maintenance of Plant	2,838,837	2,660,443
Pupil Transportation	1,365,312	1,420,230
Central	54,627	42,416
Operation of Food Service	981,237	841,472
Community Services	81,780	98,862
Extracurricular Activities	585,546	581,833
Capital Outlay	2,671,012	100,975
Debt Service:		
Principal Retirement	600,815	550,000
Interest and Fiscal Charges	289,107	304,515
Total Program Cash Disbursements	<u>25,649,654</u>	<u>21,506,502</u>
Change in Net Assets	(154,044)	(1,000,170)
Net Assets at Beginning of Year	4,216,433	5,216,603
Net Assets at Beginning of Year	<u>\$ 4,062,389</u>	<u>\$ 4,216,433</u>

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later, the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would be .5 mills and the owner would still pay \$35.

Our School District, which is dependent on property taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 27 percent of receipts for governmental activities for the School District in fiscal year 2008.

The major program cash disbursements for governmental activities are for instruction, which accounts for 42 percent of all governmental cash disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 15 percent of total government cash disbursements. Maintenance of the School District's facilities also represents a significant cash disbursement, 11 percent.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants, and the contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental services for the year ended June 30, 2008 and the preceding fiscal year year, June 30, 2007. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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Home of the Generals

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 3
 Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Cash Disbursements				
Instruction:				
Regular	\$ 8,178,673	\$ 7,952,569	\$ 7,827,354	\$ 7,581,151
Special	1,514,246	102,564	1,373,178	(12,837)
Vocational	263,384	176,291	255,396	175,755
Other	858,699	858,699	792,272	792,272
Support Services:				
Pupils	1,346,142	503,409	1,205,103	379,972
Instructional Staff	999,255	971,445	942,610	907,948
Board of Education	778,018	778,018	599,210	599,210
Administration	1,488,854	1,484,387	1,398,823	1,397,593
Fiscal	730,445	717,371	488,834	485,238
Business	23,665	23,665	22,976	22,976
Operation and Maintenance of Plant	2,838,837	2,838,837	2,660,443	2,660,443
Pupil Transportation	1,365,312	588,248	1,420,230	649,982
Central	54,627	54,627	42,416	42,416
Operation of Food Service	981,237	(83,619)	841,472	(12,062)
Community Services	81,780	33,609	98,862	39,321
Extracurricular Activities	585,546	246,849	581,833	237,501
Capital Outlay	2,671,012	2,671,012	100,975	100,975
Debt Service:				
Principal Retirement	600,815	600,815	550,000	550,000
Interest and Fiscal Charges	289,107	289,107	304,515	304,515
Total Program Cash Disbursements	<u>\$ 25,649,654</u>	<u>\$ 20,807,903</u>	<u>\$ 21,506,502</u>	<u>\$ 16,902,369</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as over 84 percent of instruction activities are supported through taxes and other general receipts.

Food service was covered completely by program cash receipts for fiscal year 2008 creating an excess of \$83,619. This is consistent with the prior year and is due to cafeteria sales and state and federal subsidies. Almost 58 percent of extracurricular activities disbursements are covered by program cash receipts. This is a result of athletic fees, ticket sales, and gate receipts.

The School District Funds

The School District's major fund is accounted for using the modified cash basis of accounting. All governmental funds had total cash receipts, excluding other financing sources, of \$25,494,158 and cash disbursements of \$25,488,203. The excess cash receipts over cash disbursements for the governmental funds totaled \$7,407. The general fund accounted for the deficit spending during fiscal year 2008 due to the increase in disbursements exceeding the increase in property tax receipts. The increase in property tax receipts is due to the District receiving a fiscal year 2007 settlement in July.

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2008 for all of the major and non-major governmental funds.

Table 3
Fund Balance Analysis

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Major Fund:			
General	\$ 2,680,234	\$ 2,881,201	\$ (200,967)
Other Governmental funds	<u>1,070,757</u>	<u>862,383</u>	<u>208,374</u>
Total	<u>\$ 3,750,991</u>	<u>\$ 3,743,584</u>	<u>\$ 7,407</u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District amended its general fund budget. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

For the general fund, final estimated receipts were \$19,717,827 which was slightly less than the actual cash receipts and other financing sources of \$19,724,034. Final budgetary cash disbursements, excluding other sources, were \$117,611 less than the final appropriation measure of \$19,793,537.

The School District's ending unobligated budgetary cash balance was \$2,280,068.

Debt Administration

Debt

At June 30, 2008, the School District had \$5,439,000 in debt outstanding which is a \$555,000 reduction in debt from the prior period. Due to prudent spending and continuous monitoring of all cash receipts and cash disbursements, our bond rating is AAA.

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 4
 Outstanding Debt at Fiscal Year End

	Principal Outstanding 6/30/2008	Principal Outstanding 6/30/2007
Governmental Activities		
School Facilities Construction Bonds Issued 10/01; Mature 10/23; 3.30% - 5.00%	\$ 4,864,000	\$ 5,099,000
Permanent Improvement Tax Anticipation Notes Issued 11/98; Mature 10/09; 5.32% - 5.65%	500,000	750,000
School District Energy Conservation Bonds Issued 09/99; Mature 10/08; 4.35% - 4.50%	75,000	145,000
Total Governmental Activities Long-Term Liabilities	\$ 5,439,000	\$ 5,994,000

See footnote 10 for more detailed information about the School District's debt.

Economic Factors

The School District's current five-year forecast is projecting deficit spending at the end of fiscal year 2011 and 2012 with positive ending cash balances for fiscal year 2009 through 2012 of \$3,795,862, \$3,691,367, \$3,426,889 and \$3,033,960, respectively.

To achieve the aforementioned projected cash balances, the Board of Education and administration of the School District must continue to maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Elizabeth Arnold, Treasurer, at Northern Local School District, 8700 Sheridan Drive, Thornville, Ohio 43076. Or, E-mail the Treasurer at No_Larnold@seovec.org.

Northern Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$ 4,062,389</u>
<i>Total Assets</i>	<u><u>\$ 4,062,389</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 76,590
Debt Service	511,130
Set Asides	59,192
Claims	37,000
Other Purposes	536,268
Unrestricted	<u>2,842,209</u>
<i>Total Net Assets</i>	<u><u>\$ 4,062,389</u></u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 8,178,673	\$ 76,588	\$ 149,516	\$ (7,952,569)
Special	1,514,246	120,476	1,291,206	(102,564)
Vocational	263,384	-	87,093	(176,291)
Other	858,699	-	-	(858,699)
Support Services:				
Pupil	1,346,142	241,459	601,214	(503,469)
Instructional Staff	999,255	27,193	617	(971,445)
Board of Education	778,018	-	-	(778,018)
Administration	1,488,854	1,319	3,148	(1,484,387)
Fiscal	730,445	13,074	-	(717,371)
Business	23,665	-	-	(23,665)
Operation and Maintenance of Plant	2,838,837	-	-	(2,838,837)
Pupil Transportation	1,365,312	-	777,064	(588,248)
Central	54,627	-	-	(54,627)
Operation of Food Services	981,237	449,983	614,873	83,619
Community Services	81,780	38,858	9,313	(33,609)
Extracurricular Activities	585,546	338,697	-	(246,849)
Capital Outlay	2,671,012	-	-	(2,671,012)
Debt Service:				
Principal Retirement	600,815	-	-	(600,815)
Interest and Fiscal Charges	289,107	-	-	(289,107)
<i>Totals</i>	<u>\$ 25,649,654</u>	<u>\$ 1,307,647</u>	<u>\$ 3,534,044</u>	<u>(20,807,963)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	5,618,698
Capital Outlay	635,990
Debt Service	730,277
Grants and Entitlements not restricted to Specific Programs	13,436,698
Investment Earnings	161,964
Sale of Capital Assets	1,452
Miscellaneous	68,840
<i>Total General Receipts</i>	<u>20,653,919</u>
Change in Net Assets	(154,044)
<i>Net Assets Beginning of Year</i>	<u>4,216,433</u>
<i>Net Assets End of Year</i>	<u>\$ 4,062,389</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 2,621,042	\$ 1,070,757	\$ 3,691,799
Restricted Cash and Cash Equivalents	59,192	-	59,192
<i>Total Assets</i>	\$ 2,680,234	\$ 1,070,757	\$ 3,750,991
Fund Balances			
Reserved\Designated:			
Reserved for Encumbrances	400,166	111,611	511,777
Reserved for BWC Refunds	59,192	-	59,192
Designated for Budget Stabilization	311,774	-	311,774
Unreserved\Undesignated, Reported in:			
General Fund	1,909,102	-	1,909,102
Special Revenue Funds	-	424,657	424,657
Debt Service Fund	-	511,130	511,130
Capital Projects Funds	-	23,359	23,359
<i>Total Fund Balances</i>	\$ 2,680,234	\$ 1,070,757	\$ 3,750,991

See accompanying notes to the basic financial statements

Northern Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$ 3,750,991
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
 Governmental activities' net assets include the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.	
	<u>311,398</u>
 <i>Net Assets of Governmental Activities</i>	 <u>\$ 4,062,389</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$ 5,618,698	\$ 1,366,267	\$ 6,984,965
Intergovernmental	12,707,109	4,263,633	16,970,742
Interest	160,070	1,894	161,964
Tuition and Fees	518,967	-	518,967
Extracurricular Activities	-	338,697	338,697
Charges for Services	-	449,983	449,983
Miscellaneous	68,497	343	68,840
<i>Total Receipts</i>	<u>19,073,341</u>	<u>6,420,817</u>	<u>25,494,158</u>
Disbursements			
Current:			
Instruction:			
Regular	7,945,795	161,185	8,106,980
Special	1,247,868	253,551	1,501,419
Vocational	261,280	-	261,280
Other	858,699	-	858,699
Support Services:			
Pupil	833,156	508,170	1,341,326
Instructional Staff	929,946	57,230	987,176
Board of Education	778,018	-	778,018
Administration	1,470,834	2,780	1,473,614
Fiscal	676,983	50,852	727,835
Business	23,665	-	23,665
Operation and Maintenance of Plant	2,316,014	510,367	2,826,381
Pupil Transportation	1,346,944	-	1,346,944
Central	40,228	14,399	54,627
Operation of Food Services	3,379	968,600	971,979
Community Services	-	81,780	81,780
Extracurricular Activities	221,752	363,794	585,546
Capital Outlay	265,063	2,405,949	2,671,012
Debt Service:			
Principal Retirement	45,815	555,000	600,815
Interest and Fiscal Charges	10,321	278,786	289,107
<i>Total Disbursements</i>	<u>19,275,760</u>	<u>6,212,443</u>	<u>25,488,203</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(202,419)</u>	<u>208,374</u>	<u>5,955</u>
Other Financing Sources			
Sale of Capital Assets	1,452	-	1,452
Advances In	649,241	649,241	1,298,482
Advances Out	(649,241)	(649,241)	(1,298,482)
<i>Total Other Financing Sources</i>	<u>1,452</u>	<u>-</u>	<u>1,452</u>
<i>Net Change in Fund Balances</i>	(200,967)	208,374	7,407
<i>Fund Balances Beginning of Year</i>	<u>2,881,201</u>	<u>862,383</u>	<u>3,743,584</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,680,234</u>	<u>\$ 1,070,757</u>	<u>\$ 3,750,991</u>

See accompanying notes to the basic financial statements

Northern Local School District
*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ 7,407

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

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund revenues (expenses). (161,451)

Change in Net Assets of Governmental Activities \$ (154,044)

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Cash Receipts				
Property Taxes	\$ 5,063,544	\$ 5,618,698	\$ 5,618,698	\$ -
Intergovernmental	11,467,940	12,725,254	12,707,109	(18,145)
Interest	122,949	136,429	160,070	23,641
Tuition and Fees	467,630	518,900	518,967	67
Miscellaneous	61,152	67,857	68,497	640
<i>Total Cash Receipts</i>	<u>17,183,215</u>	<u>19,067,138</u>	<u>19,073,341</u>	<u>6,203</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	7,484,410	8,053,376	8,038,486	14,890
Special	1,185,024	1,268,671	1,268,408	263
Vocational	263,261	266,353	265,956	397
Other	808,760	868,484	866,678	1,806
Support Services:				
Pupil	933,833	978,750	963,014	15,736
Instructional Staff	885,253	945,434	945,210	224
Board of Education	724,311	778,697	778,518	179
Administration	1,384,537	1,484,458	1,481,588	2,870
Fiscal	646,433	692,144	683,110	9,034
Business	21,985	23,667	23,665	2
Operation and Maintenance of Plant	2,454,361	2,543,641	2,471,658	71,983
Pupil Transportation	1,272,944	1,359,429	1,359,213	216
Central	37,371	40,231	40,228	3
Operation of Food Services	3,139	3,379	3,379	-
Extracurricular Activities	205,992	221,755	221,752	3
Capital Outlay	246,226	265,068	265,063	5
<i>Total Cash Disbursements</i>	<u>18,557,840</u>	<u>19,793,537</u>	<u>19,675,926</u>	<u>117,611</u>
<i>Excess of Cash Receipts Over (Under)</i> <i>Cash Disbursements</i>	<u>(1,374,625)</u>	<u>(726,399)</u>	<u>(602,585)</u>	<u>123,814</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	1,448	1,452	4
Advances In	-	649,241	649,241	-
Advances Out	-	(649,241)	(649,241)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>1,448</u>	<u>1,452</u>	<u>4</u>
<i>Net Change in Fund Balance</i>	<u>(1,374,625)</u>	<u>(724,951)</u>	<u>(601,133)</u>	<u>123,818</u>
<i>Fund Balance Beginning of Year</i>	2,715,988	2,715,988	2,715,988	-
Prior Year Encumbrances Appropriated	165,213	165,213	165,213	-
<i>Fund Balance End of Year</i>	<u>\$ 1,506,576</u>	<u>\$ 2,156,250</u>	<u>\$ 2,280,068</u>	<u>\$ 123,818</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
June 30, 2008

		<u>Governmental Activity</u>
		<u>Internal Service</u>
Assets		
Equity in Pooled Cash and Investments	\$	311,398
<i>Total Assets</i>	<u>\$</u>	<u>311,398</u>
 Net Assets		
Restricted for Claims		37,000
Unrestricted		274,398
	<u>\$</u>	<u>311,398</u>

See accompanying notes to the basic financial statements

Northern Local School District
*Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	Governmental Activity
	Internal Service
Operating Receipts	
Charges for Services	\$ 2,292,922
<i>Total Operating Receipts</i>	2,292,922
Operating Disbursements	
Claims	2,454,373
<i>Total Operating Disbursements</i>	2,454,373
<i>Change in Net Assets</i>	(161,451)
<i>Net Assets Beginning of Year</i>	472,849
<i>Net Assets End of Year</i>	\$ 311,398

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 161,989	\$ 40,089
<i>Total Assets</i>	<u>\$ 161,989</u>	<u>\$ 40,089</u>
Net Assets		
Held in Trust for Scholarships	<u>\$ 161,989</u>	
Held for Student Activities		<u>\$ 40,089</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Year Ended June 30, 2008

	Private Purpose Trust
Additions	
Contributions	\$ 2,025
Interest	6,575
<i>Total Additions</i>	8,600
Deductions	
Scholarships Awarded	6,575
<i>Total Deductions</i>	6,575
Change in Net Assets	2,025
Net Assets - Beginning of Year	159,964
Net Assets - End of Year	\$ 161,989

See accompanying notes to the basic financial statements

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

The Northern Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Northern Local School District of Perry County was established on June 10, 1968 by the State of Ohio as a public school system. The School District is a consolidated school district made up from three original existing high schools in the area, Glenford, Somerset, and Thornville, combined now to be Sheridan High School. The School District is located in three counties, Perry, Licking, and Fairfield. It serves an area of 173 square miles with an approximate enrollment of 2,417 students. The School District is staffed by 163 certificated employees and 102 non-certificated who provide services to 2,417 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one support service building.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

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

The School District participates in four jointly governed organizations, and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative (SEOVEC), the Metropolitan Educational Council (MEC), Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Ohio School Boards Association Workers Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 11 and 12 to the basic financial statements.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.A, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

B. Basis of Presentation

The School District's basic financial statements prepared on the modified cash basis of accounting include a government-wide statement, including a modified cash basis statement of net assets and a statement of activities, and modified cash basis fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The School District does not have business-type activities.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Cash receipts which are not classified as program cash receipts are presented as general receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the School District.

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

C. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following is a description of the School District's major governmental fund:

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. As described in Note 6 the School District uses an internal service fund to account for medical/surgical and dental which the School District self insures.

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as equity in pooled cash and cash equivalents on the financial statements. During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, certificates of deposits, federal notes, and the Alliance Reserve Government Portfolio. Repurchase agreements and certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts recorded by the School District during fiscal year 2008 amounted to \$168,539. Of this amount, the general fund recorded \$160,070, other governmental funds recorded \$1,894 and private purpose trust funds recorded \$6,575 in interest.

Investments of the cash management pool and investments are presented on the financial statements as equity in pooled cash and investments.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The General Fund "Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis" has been presented at the function level for comparative purposes.

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

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

F. Capital Assets

Capital assets are not recognized in any of the School District's funds in accordance with the modified cash basis of accounting. Instead, capital acquisition and construction costs are reflected as cash disbursements in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

G. Compensated Absences

Employees are entitled to vacation, sick, and personal leave benefits that are recorded as a cash disbursement when incurred. A liability for these unused benefits is not recorded on the School District's modified cash basis financial statements.

H. Long-Term Liabilities

Modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when cash disbursements are made.

I. Net Assets

Net assets are recorded in conjunction with assets recorded by the School District. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to cash disbursements for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. None of the \$1,220,180 reported as restricted net assets was by enabling legislation.

J. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

K. Fund Reserves / Designations

Reserved fund balances indicate that portion of fund balance which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund balance for which management has an intended use of the resources. Fund balances are reserved for encumbrances and Bureau of Worker's Compensation refunds. The unreserved portion of fund balance reflected for the governmental funds are available for use within specific purposes of those funds. The amount set-aside by the Board for Budget Stabilization is reported as a designation of fund balance in the general fund.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

L. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the proprietary fund. For the School District, these cash receipts are charges for services for self-insurance programs. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of the fund.

M. Extraordinary and Special Items

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

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for Bureau of Workers Compensation Set-Aside requirements.

O. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Note 3 – Compliance

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

Deposits Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2008, the carrying amount of all District deposits was \$29,739. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2008 \$66,747 of the District's bank balance was covered by Federal Deposit Insurance.

Investments The School District has adopted a formal investment policy. The primary objective of the policy is the preservation of principal. To meet this objective, portfolio diversification is established and maintained with a goal of generating portfolio income that exceeds any losses in individual security values.

At June 30, 2008, the School District had the following investments:

	Fair Value	Maturity in Years		Percent to Total
		Less than 1	1 to 3	
Certificates of Deposits	\$ 140,000	\$ 140,000	\$ -	3.31%
STAROhio	1,889,081	1,889,081	-	44.61%
Repurchase Agreements	10,085	10,085	-	0.24%
Federal Agency Securities	2,195,562	195,562	2,000,000	51.85%
Total	<u>\$4,234,728</u>	<u>\$2,234,728</u>	<u>\$2,000,000</u>	<u>100.00%</u>

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

Credit Risk The School District's investments in STAR Ohio are rated AAAM by Standard & Poor's. U.S. government agency securities are not considered to have credit risk. The School District's repurchase agreement is secured by U.S. government agency securities which are not considered to have credit risk.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually.

If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received in calendar 2008 (other than public utility property tax) represents the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2008 was 6.25 percent and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The chart below provides a summary of the tax collections during the fiscal year ending June 30, 2008:

	2007 Second - Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$3,466,513	96.20%	\$3,324,848	98.33%
Public Utility Personal	105,868	2.94%	10,700	0.32%
Tangible Personal Property	31,137	0.86%	45,899	1.36%
Total	\$3,603,518	100.00%	\$3,381,447	100.00%
Full Tax rate per \$1,000 of assessed valuation	\$38.92		\$38.92	

Note 6 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance for property, builder's risk, liability and fleet insurances.

Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$65,785,586
Accounts Receivable (\$5,000 deductible)	100,000
Equipment (\$250 deductible)	50,000
Extra Expense	300,000
Employee Dishonesty (\$10,000 deductible)	1,000,000
Fleet Insurance	2,000,000
Educational General Liability	
Per occurrence	1,000,000
Aggregate per year	3,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
Aggregate per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage in fiscal year 2008 from fiscal year 2007.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Workers Compensation

For fiscal year 2008, the School District participated in the Ohio School Board Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Gates McDonald, Inc. provides administration costs and actuarial services to the GRP.

C. Self Insurance

During the fiscal year ended June 30, 2008, employees of the School District were covered by the School District's medical/surgical and dental self-insurance Plan (the "Plan"). The School District contributed approximately 90% per month per employee to the Plan and employees authorized payroll withholdings to pay their share of the premium which was approximately 10% per month. The total premiums paid into the internal service fund of the School District was \$2,292,922 of which the School District paid \$2,077,494 while the employees were responsible for the remaining portion.

In addition, the Plan agreement requires that the School District set-aside funds for unexpected claims. The amount set-aside during fiscal year 2008 was \$37,000 and will be reviewed continually on an on-going basis.

A comparison of the internal service fund cash and investments to the actuarially-measured liability as of June 30, 2008 follows:

	2008	2007
Cash and investments	\$311,398	\$472,849
Claims liabilities at June 30	\$187,348	\$ 136,629

Note 7 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$390,009, \$402,486 and \$353,514, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2002 Comprehensive Annual Financial Report can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

Plan Options - Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Chapter 3307 of the Revised Code provides the statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,186,146, \$1,164,751 and \$1,120,846, respectively, equal to the required contributions for each year.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Postemployment Benefits

A. *School Employees Retirement System*

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (most recent information available), the actuarially required allocation was .68%. The District's contributions for the year ended June 30, 2008 were \$18,943, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two-third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (most recent information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007, and 2006 were \$92,488, \$90,776, \$83,833, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System

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

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 and June 30, 2006, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and there were 122,934 eligible benefit recipients.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The District's contributions for the years ended June 30, 2008, 2007, and 2006 were \$84,725, \$79,253, \$77,380, respectively.

Note 9 – Lease Obligations

A. Capital Lease

The School District has entered into capitalized leases for copiers and computers. Each lease meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement No. 13, "Accounting for Leases." This statement defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Due to the School District reporting on the modified cash basis of accounting, the accompanying copiers and computers are not reflected as assets and liabilities within the accompanying financial statements. Principal and interest payments associated with outstanding lease obligations are paid by the General Fund.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30:	Principal	Interest
2009	\$66,973	\$11,907
2010	58,433	6,390
2011	31,829	3,162
2012	28,166	1,415
2013	7,319	77
Total	\$192,720	\$22,951

Note 10 - Long Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding June 30, 2007	Additions	Deletions	Principal Outstanding June 30, 2008	Due Within One Year
Government Activities					
School Facilities Constuction Bonds					
Issued 10/01; Mature 10/23; 3.3%-5.00%	\$ 5,099,000	\$ -	\$ 235,000	\$ 4,864,000	\$ 245,000
Permanent Improvement Tax Anticipation Notes					
Issued 11/98; Mature 10/09; 5.23%-5.65%	750,000	-	250,000	500,000	250,000
School Energy Conversation Bonds					
Issued 09/99; Mature 10/08; 4.35%-4.50%	145,000	-	70,000	75,000	75,000
Total Governmental Activities					
Long-Term Liabilities	\$ 5,994,000	\$ -	\$ 555,000	\$ 5,439,000	\$ 570,000

The School Facilities Construction Bonds were issued in fiscal year 2002 and the proceeds were used for construction of new school facilities. These bonds are direct obligations of the School District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property within the School District.

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

The School District Energy Conservation Bonds were issued in fiscal year 2000 and the proceeds were used to acquire and install equipment and other improvements for energy conservation purposes. These bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property within the School District, provided, however, that in each year, to the extent that funds are available from other sources, including savings generated by energy conservation measures by the School District, the amount of such tax shall be reduced by the amount of such funds so available.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Debt service requirements to maturity on the debt, principle and interest, are as follows:

Fiscal Year Ending June 30,	School Facilities Construction Bonds		P.I. Tax Anticipation Note	
	Issued in Fiscal Year 2002		Issued in Fiscal Year 1999	
	Principal	Interest	Principal	Interest
2009	\$245,000	\$227,213	\$250,000	\$28,000
2010	89,819	382,594	250,000	14,125
2011	79,181	393,231	-	-
2012	255,000	217,413	-	-
2013	265,000	206,448	-	-
2014-2018	1,530,000	833,930	-	-
2019-2023	1,950,000	415,000	-	-
2024	450,000	22,500	-	-
Total	\$4,864,000	\$2,698,329	\$500,000	\$42,125

Fiscal Year Ending June 30,	School District Energy Conservation Bonds		All Debt	
	Issued in Fiscal Year 2000		Principal	Interest
	Principal	Interest	Principal	Interest
2009	\$75,000	\$1,688	\$570,000	\$256,901
2010	-	-	339,819	396,719
2011	-	-	79,181	393,231
2012	-	-	255,000	217,413
2013	-	-	265,000	206,448
2014-2018	-	-	1,530,000	833,930
2019-2023	-	-	1,950,000	415,000
2024	-	-	450,000	22,500
Total	\$75,000	\$1,688	\$5,439,000	\$2,742,142

Note 11 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative

The School District is a participant in the Southeastern Ohio Voluntary Education Cooperative which is a computer consortium. SEOVEC is an association which services thirty entities within the boundaries of eight counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SEOVEC consists of the superintendents from all participating districts.

The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. The SEOVEC constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to SEOVEC for fiscal year 2008 were \$55,246. Financial statements for SEOVEC can be obtained from their fiscal agent, the Southeastern Ohio Voluntary Education Cooperative, 221 North Columbus Road, P.O. Box 1250, Athens, Ohio 45701.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio.

The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Educational Regional Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities.

There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. The School District did not make any contributions to COSERRC during fiscal year 2008. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts.

The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges.

School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2008, the Board consisted of fourteen members.

In fiscal year 2008, the School District did not make any contributions to the School Study Council of Ohio. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 12 – Insurance Purchasing Pools

Ohio School Boards Association Workers’ Compensation Group Rating Plan

The School 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 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.

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services.

The OSP’s business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 13 - Contingencies

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is currently not a party to any material legal proceedings.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 14 - Set asides

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The budget stabilization reserve is optional; however, the Board elected to continue funding the reserve as permitted by law.

The following describes the changes in the year end set-aside:

	Textbooks	Capital Acquisition	Budget Stabilization	
			Designated	Reserved
Set-aside Reserve Balance as of June 30, 2007	\$ (542,451)	\$ (2,650,574)	\$ 311,774	\$ 59,192
Current Year Set-aside Requirement	359,337	359,337	-	-
Current Year Offsets	-	(742,301)	-	-
Qualifying Disbursements	(368,635)	(276,974)	-	-
Total	\$ (551,749)	\$ (3,310,512)	\$ 311,774	\$ 59,192
Balance carried forward to FY 2009	\$ (551,749)	\$ -	\$ 311,774	\$ 59,192

The School District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks reserve and this extra amount may be used to reduce the set-aside requirement for future fiscal years. Therefore, this negative amount is being carried forward to the next fiscal year. The School District also had qualifying disbursements during the year that reduced the set-aside amounts below zero for the Capital Acquisition Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years.

Note 15 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding fiscal year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$400,166 for the General Fund.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 16 – State School Funding

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

Federal Grantor/ Pass thru Grantor/ Program Title	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Food Donation	10.550	\$ -	\$ 67,029	\$ -	\$ 67,029
<i>Child Nutrition Cluster:</i>					
School Breakfast Program	10.553	203,690	-	203,690	-
National School Lunch Program	10.555	386,438	-	386,438	-
<i>Total Child Nutrition Cluster</i>		<u>590,128</u>	<u>67,029</u>	<u>590,128</u>	<u>67,029</u>
Total U.S. Department of Agriculture		<u>590,128</u>	<u>67,029</u>	<u>590,128</u>	<u>67,029</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education-Grants to States	84.027	573,118	-	573,118	-
Special Education-Preschool Grants	84.173	-	16,925	-	16,925
<i>Total Special Education Cluster</i>		<u>573,118</u>	<u>16,925</u>	<u>573,118</u>	<u>16,925</u>
Title I Grants to Local Educational Agencies	84.010	256,468	-	255,023	-
Safe and Drug Free Schools and Communities-State Grants	84.186	7,880	-	7,880	-
State Grants for Innovative Programs	84.298	1,421	-	1,965	-
Education Technology State Grants	84.318	890	-	3,169	-
Improving Teacher Quality State Grants	84.367	98,461	-	127,344	-
Total U.S. Department of Education		<u>938,238</u>	<u>16,925</u>	<u>968,499</u>	<u>16,925</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 1,528,366</u>	<u>\$ 83,954</u>	<u>\$ 1,558,627</u>	<u>\$ 83,954</u>

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

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the accompanying Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.

The School District uses the services of DJ Co-ops to hold, process, and deliver its federal commodities at a nominal rate.

NOTE C – NONCASH AWARDS

The School District had the following federal cash receipts and cash disbursements which were received and disbursed by the Perry-Hocking Educational Service Center on behalf of the School District for fiscal year 2008:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$16,925	\$16,925



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Education
Northern Local School District
8700 Sheridan Drive
Thornville, Ohio 43076

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the "School District") as of and for the fiscal year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 7, 2008, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles as described in Note 2. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Wilson, Shannon & Snow, Inc.

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Northern Local School District
Perry County
Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance Required
by *Government Auditing Standards*
Page 2

We consider the following deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

However, we noted a certain internal control matter that we reported to the School District's management in a separate letter dated November 7, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2008-001.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
November 7, 2008



**Independent Auditors' Report on Compliance with Requirements Applicable to
Its Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Board of Education
Northern Local School District
8700 Sheridan Drive
Thornville, Ohio 43076

Compliance

We have audited the compliance of the Northern Local School District, Perry County, Ohio (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2008. The summary of auditors' results section of the accompanying schedule of findings and responses identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grant applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Northern Local School District, Perry County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2008.

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Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

A material weaknesses is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Wilson, Sherman & Snow, Inc.

Newark, Ohio
November 7, 2008

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 §.505**

JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Special Education Cluster \ CFDA #84.027 & CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 §.505**

JUNE 30, 2008

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

Finding Number	2008-001
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Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles.

The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

We recommend the School District file its annual report in accordance with accounting principles generally accepted in the United States of America. The School District may find the information contained within the GAAP financial statements to be helpful in future projections and budgeting funds.

Officials Response: The School District will continue to prepare the financial statements in accordance with the GASB 34 format on the modified cash basis of accounting and not in accordance with GAAP.

3. FINDINGS FOR FEDERAL AWARDS

None.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.505**

JUNE 30, 2008

<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; <u>Explain:</u>
2007-1	Ohio Administrative Code Section 117-2-03(B) requires that the School District prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	No	The School District prepared its financial statements in accordance with the GASB 34 format on a modified cash basis. Re-issued as finding 2008-001.
2007-2	Ohio Revised Code Section 5705.39 appropriations exceeding estimated resources.	Yes	N/A.
2007-3	Ohio Revised Code Section 5705.36(A)(2) increasing estimated resources.	Yes	N/A.



Mary Taylor, CPA
Auditor of State

NORTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2008**