

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**Single Audit**

**For the Fiscal Year Ended June 30, 2011**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Northern Local School District, Perry County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 9, 2012

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**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

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**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 § 117-2-03 (B) requires the 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 basis of accounting 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 2.M, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC  
November 28, 2011



**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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As management of the Northern Local District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Northern Local District for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- Net assets of governmental activities decreased \$1,578,148.
- General receipts, consisting primarily of property taxes and state foundation receipts, totaled \$18,903,902, or 77 percent of total receipts.
- Program receipts, consisting of charges for services and operating and capital grants and contributions, accounted for \$5,719,895, or 23 percent of total receipts.
- The District had \$26,201,945 in cash disbursements during the fiscal year. The net cost of providing services (total cash disbursements less program receipts) totaling \$20,482,050, was funded with general receipts.
- The District's general fund balance decreased \$756,746, or 92%, during the fiscal year. The general fund ending fund balance was \$67,797, approximately .3% of total general fund cash disbursements.

### **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 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 District, and present an aggregate view of the 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 District's most significant funds with all other non-major funds presented in total in one column.

**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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***Reporting the 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 District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during the fiscal year?” 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 District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

- Governmental Activities – All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services (primarily food service), extracurricular activities, and debt service.

***Reporting the District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, and permanent improvement fund.

***Governmental Funds*** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 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.

**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**Proprietary Funds** The 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 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.

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

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2011 compared to 2010 on a modified cash basis:

Table 1  
**Net Assets**

	Governmental Activities	
	June 30, 2011	June 30, 2010
<b>Assets</b>		
Current Assets	\$ 892,929	\$ 2,471,077
Total	\$ 892,929	\$ 2,471,077
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$ 16,901	\$ 258,570
Debt Service	1,158,641	869,905
Food Service	49,203	193,844
Extracurricular Activities	111,461	105,974
State and Federal Grants	90	136,575
Set Asides	-	59,192
Other Purposes	36,920	13,760
Unrestricted	(480,287)	833,257
Total Net Assets	\$ 892,929	\$ 2,471,077

A portion of net assets at June 30, 2010 related food service and extracurricular activities have been reclassified from Unrestricted to Restricted to correlate with the same classification at June 30, 2011. In addition, net assets at June 30, 2010 related to federal grants have been reclassified from Restricted for Other Purposes to Restricted for State and Federal Grants for the same reason.

As mentioned previously, net assets of governmental activities decreased \$1,578,148 or 64 percent from 2010.

**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

Table 2  
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,260,041	\$ 1,187,124
Operating Grants and Contributions	4,359,854	4,050,921
Capital Grants and Contributions	100,000	-
Total Program Cash Receipts	<u>5,719,895</u>	<u>5,238,045</u>
General Cash Receipts:		
Property Taxes	7,290,878	6,337,029
Payment in Lieu of Taxes	954,722	974,632
Grants and Entitlements	10,491,133	10,797,771
Investment Earnings	5,719	(1,379)
Insurance Recoveries	21,582	40,526
Miscellaneous	139,868	85,855
Total General Cash Receipts	<u>18,903,902</u>	<u>18,234,434</u>
Total Cash Receipts	<u>24,623,797</u>	<u>23,472,479</u>
Program Cash Disbursements:		
Instruction:		
Regular	9,743,465	8,994,189
Special	3,039,199	1,915,892
Vocational	347,926	331,705
Other	1,245,955	1,122,277
Support Services:		
Pupils	849,787	1,251,078
Instructional Staff	1,119,414	1,029,617
Board of Education	322,687	423,956
Administration	1,583,452	1,674,666
Fiscal	698,346	657,584
Business	24,377	25,107
Operation and Maintenance of Plant	2,816,781	2,543,982
Pupil Transportation	1,618,471	1,560,944
Central	55,360	51,205
Operation of Food Service	1,376,493	1,083,251
Community Services	108,701	106,190
Extracurricular Activities	667,432	607,475
Capital Outlay	13,000	3,000
Debt Service:		
Principal Retirement	166,297	398,251
Interest and Fiscal Charges	404,802	403,109
Total Program Cash Disbursements	<u>26,201,945</u>	<u>24,183,478</u>
Change in Net Assets	(1,578,148)	(710,999)
Net Assets at Beginning of Year	2,471,077	3,182,076
Net Assets at End of Year	<u>\$ 892,929</u>	<u>\$ 2,471,077</u>

**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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Operating grants and contributions increased from fiscal year 2010 to fiscal year 2011 mainly due to funding from stimulus grants received by the District.

The significant increase in property tax receipts is the result of the Rocky Mountain Express gas pipeline, which was added to the District's valuation in tax year 2010, as well as an increase in delinquent tax collections.

The 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 30 percent of the District's total receipts during the fiscal year.

The District's most significant cash disbursements are for instruction, which accounts for approximately 55 percent of total cash disbursements. Other programs which support the instruction process, including most notably pupils, instructional staff, administration, operation and maintenance, and pupil transportation, account for approximately 30 percent of total government cash disbursements.

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 the current and preceding fiscal years. 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 District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

Table 3  
 Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Cash Disbursements</b>				
Instruction:				
Regular	\$ 9,743,465	\$ 9,306,574	\$ 8,994,189	\$ 8,479,605
Special	3,039,199	2,036,347	1,915,892	1,081,514
Vocational	347,926	206,873	331,705	191,643
Other	1,245,955	233,836	1,122,277	395,019
Support Services:				
Pupils	849,787	823,853	1,251,078	793,388
Instructional Staff	1,119,414	1,011,690	1,029,617	985,474
Board of Education	322,687	322,687	423,956	423,956
Administration	1,583,452	1,578,348	1,674,666	1,674,666
Fiscal	698,346	684,365	657,584	657,584
Business	24,377	24,377	25,107	25,107
Operation and Maintenance	2,816,781	2,811,675	2,543,982	2,540,409
Pupil Transportation	1,618,471	469,475	1,560,944	512,832
Central	55,360	50,360	51,205	46,205
Operation of Food Service	1,376,493	181,556	1,083,251	57,008
Community Services	108,701	(13,682)	106,190	7,322
Extracurricular Activities	667,432	169,617	607,475	269,341
Capital Outlay	13,000	13,000	3,000	3,000
Debt Service:				
Principal Retirement	166,297	166,297	398,251	398,251
Interest and Fiscal Charges	404,802	404,802	403,109	403,109
<b>Total Cash Disbursements</b>	<b><u>\$26,201,945</u></b>	<b><u>\$20,482,050</u></b>	<b><u>\$24,183,478</u></b>	<b><u>\$18,945,433</u></b>

The dependence upon tax receipts and unrestricted state entitlements is apparent as approximately 82 percent of instruction activities are supported through taxes and other general receipts.

Community Services were covered completely by program cash receipts for fiscal year 2011. Approximately 75 percent of extracurricular activities disbursements are covered by program cash receipts. This is primarily a result of athletic fees, ticket sales, gate receipts and contributions.

**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**The District Funds**

The District's funds are accounted for using the modified cash basis of accounting. The District's governmental funds had total cash receipts, including other financing sources, of \$24,653,797 and cash disbursements, including other financing uses, of \$25,601,529. The excess cash disbursements over cash receipts for the governmental funds totaled \$947,732.

The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2011 for all of the major and non-major governmental funds.

Table 3  
Fund Balance Analysis

	<u>June 30, 2011</u>	<u>June 30, 2010 Restated</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$ 67,797	\$ 824,543	\$ (756,746)
Bond Retirement	1,158,641	869,905	288,736
Permanent Improvement	16,901	258,570	(241,669)
Other Governmental funds	212,100	450,153	(238,053)
Total	<u>\$ 1,455,439</u>	<u>\$ 2,403,171</u>	<u>\$ (947,732)</u>

The significant decrease in the general fund represents the amount in which program cash disbursements exceeded general revenues, consisting primarily of property tax and state foundation receipts. The bond retirement fund increase represents the amount in which property tax receipts exceeded current year debt service. The permanent improvement fund decrease represents the amount in which current year capital improvements exceeded property tax receipts.

The Public School Support Fund is now included in the General Fund. See footnote 18 for more detailed information about the District's fund reclassification.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2011, the District amended its general fund budget. The 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 \$19,997,483 which was more than the original estimate of \$18,764,523, primarily as a result of an increase in property tax collections. The variance between final estimated receipts and actual were insignificant. The variances between original and final appropriations and final appropriations and actual disbursements were insignificant.

**Northern Local District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**Debt Administration**

At June 30, 2011, the District had \$4,450,000 in debt outstanding which is a \$79,181 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.

Table 4  
 Outstanding Debt at Fiscal Year End

	Principal Outstanding 6/30/2011	Principal Outstanding 6/30/2010
<b>Governmental Activities</b>		
School Facilities Construction Bonds Issued 10/01; Mature 10/23; 3.30% - 5.00%	\$ 4,450,000	\$ 4,529,181
<b>Total Governmental Activities</b>	\$ 4,450,000	\$ 4,529,181
Long-Term Liabilities		

See footnote 9 for more detailed information about the District's debt.

**Economic Factors**

The District's current five-year forecast is projecting sufficient receipts for fiscal year 2012 through 2016 with positive ending cash balances of \$82,633, \$475,076, \$1,095,519, \$1,867,954 and \$2,890,611, respectively.

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

**Contacting the 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 District's finances and to show the 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 District, 8700 Sheridan Drive, Thornville, Ohio 43076. Or, E-mail the Treasurer at [No\\_Larnold@seovec.org](mailto:No_Larnold@seovec.org).



**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 892,929
Total Assets	<u>\$ 892,929</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 16,901
Debt Service	1,158,641
Food Service	49,203
Extracurricular Activities	111,461
State and Federal Grants	90
Other Purposes	36,920
Unrestricted	<u>(480,287)</u>
Total Net Assets	<u>\$ 892,929</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$ 9,743,465	\$ 319,958	\$ 116,933	\$ -
Special	3,039,199	98,965	903,887	-
Vocational	347,926	11,559	129,494	-
Other	1,245,955	42,163	969,956	-
Support Services:				
Pupils	849,787	-	25,934	-
Instructional Staff	1,119,414	-	107,724	-
Board of Education	322,687	-	-	-
Administration	1,583,452	-	5,104	-
Fiscal Services	698,346	-	13,981	-
Business	24,377	-	-	-
Operation and Maintenance	2,816,781	-	5,106	-
Pupil Transportation	1,618,471	-	1,148,996	-
Central	55,360	-	5,000	-
Food Services Operations	1,376,493	389,581	805,356	-
Community Services	108,701	-	122,383	-
Extra Curricular Activities	667,432	397,815	-	100,000
Capital Outlay	13,000	-	-	-
Debt Service:				
Principal Retirement	166,297	-	-	-
Interest and Fiscal Charges	404,802	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 26,201,945</b>	<b>\$ 1,260,041</b>	<b>\$ 4,359,854</b>	<b>\$ 100,000</b>

General Receipts  
 Property Taxes Levied for:  
   General Purposes  
   Capital Outlay  
   Debt Service  
 Payment in Lieu of Taxes  
 Grants & Entitlements not Restricted to Specific Programs  
 Investment Earnings  
 Sale of Capital Assets  
 Other Receipts  
 Total General Receipts

Change in Net Assets

Net Assets Beginning of Year  
 Net Assets End of Year

See accompanying notes to the basic financial statements.

Net  
(Disbursements)/  
Receipts and  
Changes in  
Net Assets

---

Governmental  
Activities

\$ (9,306,574)  
(2,036,347)  
(206,873)  
(233,836)  
  
(823,853)  
(1,011,690)  
(322,687)  
(1,578,348)  
(684,365)  
(24,377)  
(2,811,675)  
(469,475)  
(50,360)  
(181,556)  
13,682  
(169,617)  
(13,000)  
  
(166,297)  
(404,802)  

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(20,482,050)

5,981,385  
622,525  
686,968  
954,722  
10,491,133  
5,719  
3,353  
158,097  

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18,903,902

(1,578,148)  
  
2,471,077  

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\$ 892,929

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$ 67,797	\$ 1,158,641	\$ 16,901	\$ 212,100	\$ 1,455,439
Total Assets	<u>\$ 67,797</u>	<u>\$ 1,158,641</u>	<u>\$ 16,901</u>	<u>\$ 212,100</u>	<u>\$ 1,455,439</u>
<b>Fund Balances:</b>					
Restricted for:					
Capital Projects	\$ -	\$ -	\$ 16,901	\$ -	\$ 16,901
Debt Service	-	1,158,641	-	-	1,158,641
Food Service	-	-	-	49,203	49,203
Extracurricular Activities	-	-	-	111,461	111,461
State and Federal Grants	-	-	-	14,516	14,516
Other Purposes	-	-	-	36,920	36,920
Assigned for:					
Public School Support	61,913	-	-	-	61,913
Encumbrances	5,609	-	-	-	5,609
Unassigned:	275	-	-	-	275
Total Fund Balances	<u>\$ 67,797</u>	<u>\$ 1,158,641</u>	<u>\$ 16,901</u>	<u>\$ 212,100</u>	<u>\$ 1,455,439</u>

See accompanying notes to the basic financial statements.

NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

**Total Governmental Fund Balances** \$ 1,455,439

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

Governmental activities' net assets include the internal service funds' equity in  
cash and investments. The proprietary funds' net assets include these assets. (562,510)

**Net Assets of Governmental Activities** \$ 892,929

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Property Taxes	\$ 5,981,385	\$ 686,968	\$ 622,525	\$ -	\$ 7,290,878
Intergovernmental	12,534,813	95,479	94,053	3,076,260	15,800,605
Interest	5,719	-	-	-	5,719
Tuition and Fees	472,645	-	-	-	472,645
Extracurricular Activities	120,551	-	-	277,264	397,815
Charges for Services	-	-	-	389,581	389,581
Miscellaneous	236,515	-	-	5,104	241,619
<b>Total Receipts</b>	<b>19,351,628</b>	<b>782,447</b>	<b>716,578</b>	<b>3,748,209</b>	<b>24,598,862</b>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular	9,138,419	-	229,043	116,327	9,483,789
Special	1,910,733	-	-	1,013,746	2,924,479
Vocational	341,577	-	-	-	341,577
Other	275,999	-	-	969,956	1,245,955
Support services:					
Pupils	806,519	-	-	27,478	833,997
Instructional staff	967,943	-	-	112,539	1,080,482
Board of Education	322,687	-	-	-	322,687
Administration	1,517,173	7	9	17,089	1,534,278
Fiscal	650,196	21,291	18,844	-	690,331
Business	24,377	-	-	-	24,377
Operation and Maintenance of Plant	2,097,912	-	674,965	8,471	2,781,348
Pupil Transportation	1,527,562	-	25,386	-	1,552,948
Central	50,360	-	-	5,000	55,360
Operation of Food Services	4,511	-	-	1,336,213	1,340,724
Community Services	-	-	-	107,666	107,666
Extracurricular Activities	395,655	-	-	271,777	667,432
Capital Outlay	3,000	-	10,000	-	13,000
Debt service:					
Principal Retirement	87,116	79,181	-	-	166,297
Interest and Fiscal Charges	11,570	393,232	-	-	404,802
<b>Total Disbursements</b>	<b>20,133,309</b>	<b>493,711</b>	<b>958,247</b>	<b>3,986,262</b>	<b>25,571,529</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(781,681)	288,736	(241,669)	(238,053)	(972,667)
<b>Other Financing Sources (Uses):</b>					
Sale of Assets	3,353	-	-	-	3,353
Insurance Proceeds	21,582	-	-	-	21,582
Advance In	30,000	-	-	-	30,000
Advance Out	(30,000)	-	-	-	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<b>24,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,935</b>
Net Change in Fund Balances	(756,746)	288,736	(241,669)	(238,053)	(947,732)
Fund Balance, Beginning of Year, Restated	824,543	869,905	258,570	450,153	2,403,171
Fund Balance, End of Year	\$ 67,797	\$ 1,158,641	\$ 16,901	\$ 212,100	\$ 1,455,439

See accompanying notes to the basic financial statements.

**NOTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN MODIFIED CASH FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (947,732)**

*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 disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts. (630,416)

**Change in Net Assets of Governmental Activities** **\$ (1,578,148)**

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Receipts:</b>				
Property Taxes	\$ 5,173,040	\$ 5,981,382	\$ 5,981,385	\$ 3
Intergovernmental	12,743,826	12,534,811	12,534,813	2
Interest	-	5,687	5,719	32
Tuition and Fees	430,326	472,446	472,645	199
Miscellaneous	121,345	249,973	258,097	8,124
<b>Total Receipts</b>	<b>18,468,537</b>	<b>19,244,299</b>	<b>19,252,659</b>	<b>8,360</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,786,065	9,265,268	9,138,827	126,441
Special	1,322,147	1,923,349	1,903,742	19,607
Vocational	346,353	344,433	341,603	2,830
Other	471,269	424,069	276,002	148,067
<b>Support Services:</b>				
Pupils	782,192	812,846	806,524	6,322
Instructional Staff	990,539	971,927	967,949	3,978
Board of Education	126,823	322,704	322,690	14
Administration	1,614,343	1,497,014	1,517,206	(20,192)
Fiscal	624,150	654,845	650,203	4,642
Business	25,107	25,107	24,377	730
Operation and Maintenance of Plant	2,472,501	2,076,691	2,102,959	(26,268)
Pupil Transportation	1,519,998	1,527,612	1,527,579	33
Central	46,205	50,365	50,360	5
Operation of Food Services	4,800	4,800	4,511	289
Extracurricular Activities	267,827	269,537	264,960	4,577
Capital Outlay	3,000	3,000	3,000	-
<b>Debt Service:</b>				
Principal Retirement	87,116	87,116	87,116	-
Interest and Fiscal Charges	11,570	11,570	11,570	-
<b>Total Disbursements</b>	<b>19,502,005</b>	<b>20,272,253</b>	<b>20,001,178</b>	<b>271,075</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(1,033,468)</b>	<b>(1,027,954)</b>	<b>(748,519)</b>	<b>279,435</b>
<b>Other Financing Sources (Uses):</b>				
Sale of Assets	3,424	3,184	3,353	169
Transfers In	-	750,000	-	(750,000)
Advances In	292,562	-	30,000	30,000
Advances - Out	-	(152,813)	(30,000)	122,813
<b>Total Other Financing Sources (Uses)</b>	<b>295,986</b>	<b>600,371</b>	<b>3,353</b>	<b>(597,018)</b>
<b>Net Change in Fund Balance</b>	<b>(737,482)</b>	<b>(427,583)</b>	<b>(745,166)</b>	<b>(317,583)</b>
Fund Balances at Beginning of Year	444,838	444,838	444,838	-
Prior Year Encumbrances Appropriated	300,602	300,602	300,602	-
<b>Fund Balances at End of Year</b>	<b>\$ 7,958</b>	<b>\$ 317,857</b>	<b>\$ 274</b>	<b>\$ (317,583)</b>

See accompanying notes to the basic financial statements



**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2011**

	<u>Governmental Activities</u> <u>Internal Service</u>
<b>Assets:</b>	
Equity in Pooled Cash and Investments	\$ (562,510)
Total Assets	<u>\$ (562,510)</u>
<b>Net Assets:</b>	
Unrestricted	\$ (562,510)
Total Net Assets	<u>\$ (562,510)</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities
	Internal Service
<b>Operating Receipts:</b>	
Charges for Services	\$ 3,626,766
Total Operating Receipts	3,626,766
<b>Operating Disbursements:</b>	
Claims	4,257,182
Total Operating Disbursements	4,257,182
Operating Gain (Loss)	(630,416)
<b>Nonoperating Receipts (Disbursements):</b>	
Advances In	30,000
Advances Out	(30,000)
Total Nonoperating Receipts (Disbursements)	-
Change in Net Assets	(630,416)
Net Assets at Beginning of Year	67,906
Net Assets at End of Year	\$ (562,510)

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Investments	\$ 210,841	\$ 31,520
Total Assets	\$ 210,841	\$ 31,520
 <b>Net Assets</b>		
Held in Trust for Scholarships	\$ 210,841	\$ -
Held for Students Activity	-	31,520
Total Net Assets	\$ 210,841	\$ 31,520

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Contributions	\$ 18,995
Total Additions	<u>18,995</u>
<b>Deductions</b>	
Scholarship Awarded	<u>9,000</u>
Total Deductions	<u>9,000</u>
Change in Net Assets	9,995
Net Assets - Beginning of Year	200,846
Net Assets - End of Year	<u>\$ 210,841</u>

See accompanying notes to the basic financial statements.

**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 1 - Description of the District and Reporting Entity**

The Northern Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The 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 District is a consolidated school district made up from three original high schools in the area, Glenford, Somerset, and Thornville, combined now to be Sheridan High School. The District is located in three counties, Perry, Licking, and Fairfield, serving an area of approximately 173 square miles. The District is staffed by 163 certificated employees and 102 non-certificated who provide services to 2,423 students and other community members. The 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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities.

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

The 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 District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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. The School District does not apply Financial Accounting Standards Board (FASB) statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

**A. Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the 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 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 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 Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the 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 District does not have any business-type activities.

**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

The statement of net assets presents the financial condition of the governmental activities of the 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 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 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 District.

**Fund Financial Statements.** The District segregates transactions related to certain 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 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 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 District's major governmental funds:

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

**Bond Retirement Fund** The bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Permanent Improvement Fund** The permanent improvement fund is used to account for the accumulation of resources for acquiring, constructing, or improving school facilities.

The Districts' Other Governmental Funds primarily account for grants and other resources whose use is restricted to a particular purpose.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Proprietary Funds** 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 District uses an internal service fund to account for medical/surgical and dental insurance which the District self insures.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's 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 District's agency fund accounts for student activities.

**D. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as equity in pooled cash and investments on the financial statements.

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposits, and open-ended money market mutual funds. All investments are reported at cost.

The District invests in STAROhio, an investment pool managed by the State Treasurer's office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940.

Investments in STAROhio are valued at STAROhio's share price that is the price the investment could be sold for on June 30, 2011. Management of STAROhio states that its policy also prohibits investing in derivatives and/or engaging in the use of reverse repurchase agreements.

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 District during fiscal year 2011 amounted to \$5,719. This entire amount of \$5,719 was recorded in the General Fund.



**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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 (Non-GAAP Budgetary 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 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. Inventory and Prepaid Items***

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Capital Assets***

Capital assets are not recognized in any of the 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.

***H. Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***I. Compensated Absences***

Employees are entitled to vacation, sick, and personal leave benefits that are recorded when cash is disbursed. A liability for any unused benefits is not recorded on the District's modified cash basis financial statements.

***J. Long-Term Obligations***

The School District's *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 paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither a other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

***K. Net Assets***

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

Net assets restricted for other purposes primarily include resources restricted to cash disbursements for auxiliary services programs.

The 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 District's restricted net assets are the result of enabling legislation.

***L. 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.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***M. Fund Balances***

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Assigned - resources that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

***N. 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 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.

***O. 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 the fiscal year.

***P. 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. The District had no restricted assets at year-end.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Q. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions consist of pension and postretirement health care benefits.

**Note 3 – Compliance**

**A. Financial Statement Reporting**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the 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 District can be fined and various other administrative remedies may be taken against the District.

**B. Negative Cash**

The Internal Service fund had negative \$562,510 as of fiscal year end. The deficit cash balance is partially the result of excessive claims being disputed by the District and partially the result of an increase in claims. The District expects to receive several refunds in the subsequent fiscal year, and also increased insurance premiums approximately 10 percent, to eliminate the negative cash balance.

**Note 4 - Deposits and Investments**

Monies held by the 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 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.

**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 4 - Deposits and Investments (Continued)**

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

Interim monies held by the 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. Investments may only be made through specified dealers and institutions.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Northern Local District**  
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*Notes to the Basic Financial Statements*  
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**Note 4 - Deposits and Investments (Continued)**

**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 fiscal year-end, the carrying amount of all District deposits was \$1,124,149, including certificates of deposit totaling \$579,841, and the bank balance was \$544,308. The District's entire bank balance was covered by Federal Deposit Insurance.

**Investments** The 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, 2011, the District had the following investments:

	Fair Value	Maturity in Years		Percent to Total
		Less than 1	1 to 3	
STAROhio	3,561	3,561	-	31.96%
RSA Mutual Fund	7,580	7,580	-	68.04%
Total	<u>\$11,141</u>	<u>\$11,141</u>	<u>\$ -</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 District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk** The District currently has no policy in place regarding credit risk. The District's investments in STAR Ohio and money market mutual funds are rated AAAM by Standard & Poor's.

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

**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2010, 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.

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 was phased out – the assessed percentage for all property including inventory for 2009 was zero.

The District receives property taxes from Perry, Licking and Fairfield County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**Note 5 - Property Taxes (Continued)**

The assessed values upon which property taxes were collected are:

	2010 Second - Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$244,792,200	91.42%	\$244,792,200	91.42%
Public Utility Personal	22,960,360	8.58%	22,960,360	8.58%
<b>Total</b>	<b>\$267,752,560</b>	<b>100.00%</b>	<b>\$267,752,560</b>	<b>100.00%</b>
Full Tax rate per \$1,000 of assessed valuation	\$38.92		\$38.92	

**Note 6 - Risk Management**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Indiana Insurance for property, builder's risk, liability, and fleet insurances.

Coverage provided is as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$70,620,403
Accounts Receivable	100,000
Equipment (\$250 deductible)	50,000
Employee Dishonesty (\$1,000 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 2011 from fiscal year 2010.



**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 6 - Risk Management (Continued)**

***B. Workers Compensation***

For fiscal year 2011, the 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 District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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 Districts and libraries that can meet the GRP's selection criteria.

***C. Self Insurance***

During the fiscal year, employees of the District were covered by the District's medical/surgical and dental self-insurance Plan (the "Plan"). The 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. Total premiums paid into the internal service fund of the District were \$3,626,766 of which the District paid \$3,218,850 while the employees were responsible for the remaining portion.

At June 30, 2011 the self-insurance balance was (\$562,510). A comparison of the internal service fund cash and investments to the actuarially-measured liability as of June 30, 2010 follows:

	2011	2010
Cash and investments	(\$562,510)	\$67,906
Claims liabilities at June 30	\$331,601	\$264,625

**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, and survivor 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 7 - Defined Benefit Pension Plans (Continued)**

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.8%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$333,466, \$379,056 and \$361,620, 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 Ohio), 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 that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options - 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 allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**Northern Local District  
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*Notes to the Basic Financial Statements  
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**Note 7 – Defined Benefit Pension Plans (Continued)**

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 7 - Defined Benefit Pension Plans (Continued)**

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides 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, 2010, 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, 2011, 2010, and 2009 were \$1,359,710, \$1,375,716 and \$1,255,512, respectively, equal to the required contributions for each year.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 8 - Postemployment Benefits**

**A. School Employees Retirement System**

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

Medicare Part B Plan – 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 monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. 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 2011, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$21,459, \$20,307, and \$17,048, respectively, which equaled the required contributions each year.

Health Care Plan – 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 HMOs, PPOs, Medicare Advantage 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.

**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 8 - Postemployment Benefits (Continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). 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. For the year ended June 30, 2011, the health care allocation is 1.43%. 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. State law provides 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2011, 2010, and 2009 were \$40,377, \$112,634, \$107,969, respectively, which equaled the required contributions each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio.

Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$104,593, \$98,265, and \$89,679, respectively, which equaled the required contributions each year.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**Note 9 - Long Term Obligations**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Within One Year
<b>Government Activities</b>					
School Facilities Construction					
Mature 10/2023; 3.3%-5.00%	\$ 4,529,181	\$ -	\$ 79,181	\$ 4,450,000	\$ 255,000
Total	<u>\$ 4,529,181</u>	<u>\$ -</u>	<u>\$ 79,181</u>	<u>\$ 4,450,000</u>	<u>\$ 255,000</u>

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 District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property within the District.

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

Fiscal Year Ending June 30	School Facilities Construction Bonds	
	Principal	Interest
2012	\$ 255,000	\$ 217,413
2013	265,000	206,448
2014	280,000	194,655
2015	290,000	181,775
2016	305,000	168,000
2017-2021	1,765,000	596,000
2022-2024	1,290,000	131,000
	<u>\$ 4,450,000</u>	<u>\$ 1,695,291</u>

**Note 10 – Lease Obligations**

The 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 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 District  
Perry County**  
*Notes to the Basic Financial Statements  
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**Note 10 – Lease Obligations (Continued)**

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30:	Principal	Interest
2012	35,152	6,680
2013	36,732	5,100
2014	38,384	3,448
2015	40,109	1,723
2016	17,240	190
Total	<u>\$167,617</u>	<u>\$17,141</u>

**Note 11 - Jointly Governed Organizations**

**A. Southeastern Ohio Voluntary Education Cooperative** The 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 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 Districts. The governing board of SEOVEC consists of the superintendents from all participating districts.

The continued existence of SEOVEC is not dependent on the District's continued participation and no equity interest exists. The SEOVEC constitution states that any District withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The District's total payments to SEOVEC for fiscal year 2011 were \$55,288. 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.

**B. Metropolitan Educational Council** The District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members, which includes 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 District in Franklin County (18 Districts) and one representative from each county. Each year, the participating Districts pay a membership fee to MEC to cover the costs of administering the program. Financial information may be obtained from the MEC, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.



**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
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**Note 11 - Jointly Governed Organizations (continued)**

**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 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 District for its participation in the projects. The District has one representative on the governing board. The District did not make any contributions to COSERRC during the fiscal year. 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 Districts. The purpose of the Council is to bring about the improvement of education in member school organizations. Districts maintain active membership by paying a yearly membership fee which entitles each District to attend Council meetings and voting privileges.

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. The Board consists of twenty-one members. The District did not make any contributions to the School Study Council of Ohio during the fiscal year. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

**Note 12 – Insurance Purchasing Pools**

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool.

The GRP'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 Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Northern Local District  
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*Notes to the Basic Financial Statements  
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**Note 13 - Set asides**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 following describes the changes in the year end set-aside:

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2010	\$ (402,135)	\$ (3,736,004)
Current Year Set-aside Requirement	345,555	345,555
Current Year Offsets	-	(716,578)
Qualifying Disbursements	(218,157)	-
Total	<u>\$ (274,737)</u>	<u>\$ (4,107,027)</u>
Balance carried forward to FY 2011	<u>\$ (274,737)</u>	<u>\$ (3,736,004)</u>

The 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 District has a continuous permanent improvement levy which those proceeds may be used to reduce the capital acquisition reserve below zero for future fiscal years. Therefore, these negative amounts are being presented as being carried forward to the next fiscal year.

**Note 14 - Contingencies**

**A. Grants** The 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 District at fiscal year-end.

**B. Litigation** The District is currently not a party to any material legal proceedings.

**Northern Local District**  
**Perry County**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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 \$5,609 for the General Fund.

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

**Note 17 – Interfund Transfers/Advances**

During the fiscal year, the General Fund advanced \$30,000 to the Self-Insurance Fund and the Self-Insurance Fund returned the advance during the fiscal year.

**Northern Local District  
Perry County**  
*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 18 – Fund Reclassification**

Due to the implementation of GASB 54, the District's Public School Support Fund was reclassified as part of the General Fund. The fund was classified as an Other Governmental Fund in the prior year.

The effect of this reclassification is presented below:

	General Fund	Other Governmental Funds
Fund Balances, June 30, 2010	\$ 745,441	\$ 529,255
Fund Reclassification	79,102	(79,102)
Fund Balances, July 1, 2010	\$ 824,543	\$ 450,153

**Note 19 – Subsequent Events**

On July 5, 2011, the District issued \$4,194,998 School Facilities Construction and Improvement Refunding Bonds, Series 2011. The bond premium and costs of issuance were \$238,112 and \$92,935, respectively. The Bonds require semiannual interest payments and mature on October 1, 2023.

On August 3, 2011, the District issued \$2,000,000 Permanent Improvement Tax Anticipation Notes. The notes premium and costs of issuance were \$69,253 and \$69,253, respectively. The Notes require semiannual interest payments and mature on December 1, 2020.

NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

Federal grantor/Pass through grantor/Program title	Federal CFDA Number	Gant Year	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Pass-through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	10.553	2011	\$ 289,801		\$ 289,801	
National School Lunch Program	10.555	2011	505,245		505,245	
National School Lunch Program (Food Donation)	10.555	2011		71,883		71,883
<b>Total U.S. Department of Agriculture</b>			<u>795,046</u>	<u>71,883</u>	<u>795,046</u>	<u>71,883</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Pass-through Ohio Department of Education:</i>						
Title I Cluster						
Title I Grants to Local Education Agencies	84.010	2010/2011	341,067		350,266	
ARRA- Title I Grants to Local Education Agencies	84.389	2010/2011	40,100		118,650	
<b>Total Title I Cluster</b>			<u>381,167</u>		<u>468,916</u>	
Special Education Cluster						
Special Education-Grants to States	84.027	2010/2011	447,275		447,275	
Special Education-Preschool Grants	84.173	2011	13,419		13,419	
ARRA- Special Education-Grants to States	84.391	2010/2011	154,592		190,436	
<b>Total Special Education Cluster</b>			<u>615,286</u>		<u>651,130</u>	
Race to the Top	84.395	2011	54,996		40,571	
Title II-D Technology Fund	84.318	2011	1,069		1,069	
Title II-A - Improving Teacher Quality	84.367	2010/2011	135,451		148,344	
ARRA- State Fiscal Stabilization Fund- Education State Grants	84.394	2011	969,956		969,956	
<b>Total U.S. Department of Education</b>			<u>2,157,925</u>	<u>-</u>	<u>2,279,986</u>	<u>-</u>
<b>Totals</b>			<u>\$ 2,952,971</u>	<u>\$ 71,883</u>	<u>\$ 3,075,032</u>	<u>\$ 71,883</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE D – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2011, the Ohio Department of Education (ODE) authorized the following transfers:

<u>Program title</u>	<u>Federal CFDA Number</u>	<u>Gant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Title I Grants to Local Education Agencies	84.010	2010	\$18,040	\$ -
Title I Grants to Local Education Agencies	84.010	2011	-	18,040
ARRA- Title I	84.389	2010	118,190	
ARRA- Title I	84.389	2011		118,190
ARRA- IDEA-B	84.391	2010	240,254	
ARRA- IDEA-B	84.391	2011		240,254
Title II-A - Improving Teacher Quality	84.367	2010	31,555	-
Title II-A - Improving Teacher Quality	84.367	2011	-	31,555
<b>Totals</b>			<u>\$ 408,039</u>	<u>\$ 408,039</u>

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2011, wherein we noted that the District reports on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles and the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances of noncompliance are described in the accompanying Schedule of Findings as items 2011-1 and 2011-2.

Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*  
Page 2

The District's responses to the findings we identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
November 28, 2011



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

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

### **Compliance**

We have audited the compliance of the Northern Local School District, Perry County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2011-3 in the accompanying schedule of findings, the District did not comply with requirements regarding reporting applicable to its ARRA Title I, ARRA IDEA-B, and ARRA State Fiscal Stabilization programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to the programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2011.

### **Internal Control over Compliance**

The 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 District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*  
Page 2

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-3 to be a significant deficiency.

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

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

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
November 28, 2011

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO**

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

**JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010 ARRA- CFDA # 84.389  Special Education Cluster CFDA # 84.027 ARRA- CFDA # 84.391  ARRA State Fiscal Stabilization Fund CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO**

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

**JUNE 30, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**2011-1 NONCOMPLIANCE: BASIS OF ACCOUNTING**

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The 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. To be in compliance with the Ohio Administrative Code, the District should use generally accepted accounting principles in future annual financial reports; otherwise, the District can be fined and various other administrative remedies may be taken against the District.

District's 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.

**2011-2 NONCOMPLIANCE: NEGATIVE FUND BALANCE**

Ohio Revised Code Section 5705.10(H) states "Money paid into any fund shall be used only for the purposes for which such fund is established."

At year-end, the self-insurance fund had a negative fund cash balance of \$562,510. The negative fund cash balance indicates that money from one fund was used to cover the expenses of the self-insurance fund.

District's Response

The District expects to receive several refunds in the subsequent fiscal year, and also increased insurance premiums approximately 10 percent, to eliminate the negative cash balance.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2011-3
<b>CFDA Title and Number</b>	ARRA- IDEA B – CFDA # 84.391 ARRA- Title I – CFDA # 84.389 ARRA- State Fiscal Stabilization Fund – CFDA - # 84.394
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO**

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

**JUNE 30, 2011**

**Noncompliance/Significant Deficiency**

American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. Section 1512(c) (3) (D) requires an estimate of the number of jobs created and the number of jobs retained. Section 1512(c)(4) requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, Office of Management and Budget Memo M-09-21 dated June 22, 2009 states that prime recipients may choose to delegate certain reporting requirements to subrecipients. This memo also states several additional data elements associated with any reporting on job creation estimates by recipients and any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the number of jobs created or retained with ARRA funds in full time equivalencies (FTE) and the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments of less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

The District did not submit a quarterly 1512 report for the Special Education, State Fiscal Stabilization Fund, and Title I ARRA grants for the quarter ending March 31, 2011. We recommend that the District implement control procedures to ensure reporting requirements are met.

**District's Response**

We are aware of the reporting requirements and have submitted all other quarterly reports and will ensure all future reports are submitted.

NORTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2011

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>
2010	2010-1	Ohio Administrative Code Section 117-02-03(B) requires that the School District prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	Not corrected. Repeated as finding 2011-1.
2010	2010-2	Noncompliance and significant deficiency with ARRA IDEA-B 1512 reporting requirements.	Not corrected. Repeated as finding 2011-3

### Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the District, solely to assist the District in evaluating whether Northern Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the District. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Kennedy Cottrell Richards LLC*

Kennedy Cottrell Richards LLC  
November 28, 2011

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# Dave Yost • 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  
JANUARY 19, 2012