



Dave Yost • Auditor of State

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northern Local School District
Perry County
8700 Sheridan Road NW
Thornville, Ohio 43076

To the Board of Education:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General and Straight A Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities, fund balance analysis and outstanding debt at fiscal year-end. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015

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Northern Local District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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, 2014. 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 2014 are as follows:

- Net position of governmental activities increased approximately \$8.4 million.
- General receipts, consisting primarily of property taxes, state foundation receipts, and proceeds of debt, totaled approximately \$23.3 million, or 63 percent of total receipts, while program receipts, consisting of charges for services and operating grants and contributions, accounted for \$13.9 million, or 37 percent of total receipts.
- The District had \$28.9 million in cash disbursements during the fiscal year. The net cost of providing services (total cash disbursements less program receipts), totaling \$14.9 million, was funded with general receipts.

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 Position 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, 2014
(Unaudited)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities – 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 Position and the Statement of Activities answer this question. These statements are presented on the 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 position and changes in net position. This change in net position 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 Position 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 11. 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 the Straight A 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 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, 2014
(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. These services 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 position for 2014 compared to 2013 on a cash basis:

Table 1
Net Position

	Governmental Activities	
	June 30, 2014	June 30, 2013
Assets		
Current Assets	\$ 9,508,535	\$ 1,084,375
Total	\$ 9,508,535	\$ 1,084,375
Net Position		
Restricted for:		
Capital Projects	\$ 232,407	\$ 14,205
Debt Service	1,178,665	1,014,599
Extracurricular Activities	102,886	109,087
State and Federal Grants	7,114,148	104,775
Recreation	70	70
Unrestricted	880,359	(158,361)
Total Net Position	\$ 9,508,535	\$ 1,084,375

Current Assets and Net Position Restricted for State and Federal Grants both increased significantly in comparison with the prior fiscal year-end. These increases are primarily the result of the Straight A Program, which had approximately \$7.0 million in cash at year-end restricted for Straight A Program activities.

Northern Local District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 in comparison to June 30, 2013.

Table 2
Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 2,231,617	\$ 1,506,095
Operating Grants and Contributions	11,710,196	2,329,154
Total Program Cash Receipts	13,941,813	3,835,249
General Cash Receipts:		
Property Taxes	8,224,121	8,608,872
Payment in Lieu of Taxes	1,009,684	970,749
Grants and Entitlements	11,989,276	11,692,356
Proceeds of Debt	1,967,306	1,500,000
Investment Earnings	156	109
Miscellaneous	151,239	161,937
Total General Cash Receipts	23,341,782	22,934,023
Total Cash Receipts	37,283,595	26,769,272
Program Cash Disbursements:		
Instruction:		
Regular	8,970,576	9,408,202
Special	2,980,980	2,846,510
Vocational	320,351	319,446
Other	1,461,555	1,530,455
Support Services:		
Pupils	711,494	868,713
Instructional Staff	1,425,429	846,595
Board of Education	257,899	13,330
Administration	1,654,738	1,543,110
Fiscal	768,013	761,678
Business	12,873	22,600
Operation and Maintenance of Plant	2,560,064	2,452,703
Pupil Transportation	1,605,045	1,554,862
Central	156,772	88,400
Operation of Food Service	1,083,562	1,012,107
Community Services	88,456	90,788
Intergovernmental	1,585,090	-
Extracurricular Activities	687,642	717,669
Capital Outlay	1,725,202	18,152
Debt Service:		
Principal Retirement	575,944	2,062,956
Interest and Fiscal Charges	227,750	165,179
Total Program Cash Disbursements	28,859,435	26,323,455
Change in Net Position	8,424,160	445,817
Net Position at Beginning of Year	1,084,375	638,558
Net Position at End of Year	\$ 9,508,535	\$ 1,084,375

Northern Local District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Operating Grants and Contributions and Total Program Cash Disbursements both increased significantly in comparison with the prior fiscal year. These increases are primarily the result of the Straight A Program, which had cash receipts and disbursements of approximately \$9.3 million and \$2.3 million, respectively, during the fiscal year.

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, 2014
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Cash Disbursements				
Instruction:				
Regular	\$ 8,970,576	\$ 7,388,571	\$ 9,408,202	\$ 8,657,299
Special	2,980,980	2,021,304	2,846,510	1,952,109
Vocational	320,351	299,911	319,446	304,180
Other	1,461,555	1,369,197	1,530,455	1,457,935
Support Services:				
Pupils	711,494	542,572	868,713	591,419
Instructional Staff	1,425,429	(1,095,525)	846,595	677,734
Board of Education	257,899	257,899	13,330	13,330
Administration	1,654,738	1,613,574	1,543,110	1,485,662
Fiscal	768,013	195,026	761,678	761,678
Business	12,873	12,873	22,600	22,600
Operation and Maintenance	2,560,064	2,560,064	2,452,703	2,452,703
Pupil Transportation	1,605,045	1,595,311	1,554,862	1,539,268
Central	156,772	156,772	88,400	88,400
Operation of Food Service	1,083,562	64,148	1,012,107	(33,174)
Community Services	88,456	(10,294)	90,788	(4,182)
Intergovernmental	1,585,090	(4,841,728)	-	-
Extracurricular Activities	687,642	259,051	717,669	274,958
Capital Outlay	1,725,202	1,725,202	18,152	18,152
Debt Service:				
Principal Retirement	575,944	575,944	2,062,956	2,062,956
Interest and Fiscal Charges	227,750	227,750	165,179	165,179
Total Cash Disbursements	<u>\$28,859,435</u>	<u>\$14,917,622</u>	<u>\$26,323,455</u>	<u>\$22,488,206</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as approximately 81 percent of instruction activities are supported through taxes and other general receipts.

Approximately 62 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, 2014
(Unaudited)

The District Funds

The District's funds are accounted for using the cash basis of accounting. The District's governmental funds had total cash receipts, including other financing sources, of approximately \$37.3 million and cash disbursements, including other financing uses, of \$29.1 million. The excess of cash receipts over cash disbursements for the governmental funds totaled approximately \$8.2 million.

The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2014 for all of the major and non-major governmental funds.

Table 4
Fund Balance Analysis

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$ 1,000,333	\$ 111,308	\$ 889,025
Bond Retirement	1,178,665	1,014,599	164,066
Straight A Fund	7,017,791	-	7,017,791
Other Governmental funds	<u>343,212</u>	<u>197,478</u>	<u>145,734</u>
Total	<u>\$ 9,540,001</u>	<u>\$ 1,323,385</u>	<u>\$ 8,216,616</u>

The General Fund fund balance increased significantly during fiscal year 2014. This increase is primarily the result of additional fees related to administration of the Straight A Program, totaling \$572,987.

The Straight A Fund fund balance also increased significantly during the fiscal year 2014 as fiscal year 2014 was the first year the District administered the program.

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 2014, 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.

Actual receipts in the general fund were approximately \$21.1 million, only slightly higher than the final estimated receipts of approximately \$20.4 million. The variance between original and final estimated receipts was insignificant.

The variance between the original and final appropriations and the variance between final appropriations and actual budgetary expenditures were both insignificant.

Northern Local District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Debt Administration

At June 30, 2014, the District had \$6,815,944 in debt outstanding, which is a \$1,390,947 increase in debt from the prior period.

Table 5
 Outstanding Debt at Fiscal Year End

	Principal Outstanding 6/30/2014	Principal Outstanding 6/30/2013
Governmental Activities		
Construction & Improvement		
Refunding Bonds	\$ 3,484,997	\$ 3,824,997
Mature 10/2023; 1.00%-3.50%		
Permanent Improvement		
Tax Anticipation Notes	1,415,000	1,600,000
Mature 12/2020; 1.00%-4.50%		
Energy Conservation Bonds		
Mature 12/2028; 1.00%-4.00%	1,915,947	-
	\$ 6,815,944	\$ 5,424,997

Economic Factors

The District's current five-year forecast is projecting sufficient receipts for fiscal year 2015 through 2018 with positive ending cash balances of \$847,972, \$964,300, \$1,007,302 and \$1,037,733, 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

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 9,508,535
Total Assets	<u>\$ 9,508,535</u>
Net Position	
Restricted for:	
Capital Projects	\$ 232,407
Debt Service	1,178,665
Extracurricular Activities	102,886
State and Federal Grants	7,114,148
Recreation	70
Unrestricted	880,359
Total Net Position	<u>\$ 9,508,535</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Receipts			Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,970,576	\$ 572,754	\$ 1,009,251	\$ (7,388,571)
Special	2,980,980	190,165	769,511	(2,021,304)
Vocational	320,351	20,440	-	(299,911)
Other	1,461,555	92,358	-	(1,369,197)
Support Services:				
Pupils	711,494	-	168,922	(542,572)
Instructional Staff	1,425,429	-	2,520,954	1,095,525
Board of Education	257,899	-	-	(257,899)
Administration	1,654,738	-	41,164	(1,613,574)
Fiscal Services	768,013	572,987	-	(195,026)
Business	12,873	-	-	(12,873)
Operation and Maintenance	2,560,064	-	-	(2,560,064)
Pupil Transportation	1,605,045	-	9,734	(1,595,311)
Central	156,772	-	-	(156,772)
Food Services Operations	1,083,562	354,322	665,092	(64,148)
Community Services	88,456	-	98,750	10,294
Intergovernmental	1,585,090	-	6,426,818	4,841,728
Extracurricular Activities	687,642	428,591	-	(259,051)
Capital Outlay	1,725,202	-	-	(1,725,202)
Debt Service:				
Principal Retirement	575,944	-	-	(575,944)
Interest and Fiscal Charges	227,750	-	-	(227,750)
Total Governmental Activities:	\$ 28,859,435	\$ 2,231,617	\$ 11,710,196	(14,917,622)

General Receipts

Property Taxes Levied for:	
General Purposes	6,734,721
Capital Outlay	708,723
Debt Service	780,677
Payment in Lieu of Taxes	1,009,684
Grants & Entitlements not Restricted to Specific Programs	11,989,276
Proceeds of Debt	1,967,306
Investment Earnings	156
Other Receipts	151,239
Total General Receipts	23,341,782
 Change in Net Position	 8,424,160
 Net Position Beginning of Year	 1,084,375
Net Position End of Year	\$ 9,508,535

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Bond Retirement Fund	Straight A Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$ 1,000,333	\$ 1,178,665	\$ 7,017,791	\$ 343,212	\$ 9,540,001
Total Assets	<u>\$ 1,000,333</u>	<u>\$ 1,178,665</u>	<u>\$ 7,017,791</u>	<u>\$ 343,212</u>	<u>\$ 9,540,001</u>
Fund Balances:					
Restricted for:					
Capital Projects	\$ -	\$ -	\$ -	\$ 232,407	\$ 232,407
Debt Service	-	1,178,665	-	-	1,178,665
Extracurricular Activities	-	-	-	102,886	102,886
State and Federal Grants	-	-	7,017,791	96,357	7,114,148
Recreation	-	-	-	70	70
Assigned for:					
Public School Support	59,454	-	-	-	59,454
Instruction	20,485	-	-	-	20,485
Support Services	6,850	-	-	-	6,850
Unassigned:	913,544	-	-	(88,508)	825,036
Total Fund Balances	<u>\$ 1,000,333</u>	<u>\$ 1,178,665</u>	<u>\$ 7,017,791</u>	<u>\$ 343,212</u>	<u>\$ 9,540,001</u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances	\$ 9,540,001
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*Amounts reported for governmental activities in the statement of net position
are different because:*

Governmental activities' net position include the internal service funds' equity in cash and investments. The proprietary funds' net position include these assets.	<u>(31,466)</u>
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Net Position of Governmental Activities	<u><u>\$ 9,508,535</u></u>
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**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Bond Retirement Fund	Straight A Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$ 6,734,721	\$ 780,677	\$ -	\$ 708,723	\$ 8,224,121
Intergovernmental	12,821,588	102,724	9,315,283	2,469,561	24,709,156
Interest	156	-	-	-	156
Tuition and Fees	875,717	-	-	-	875,717
Extracurricular Activities	132,760	-	-	295,831	428,591
Charges for Services	572,987	-	-	354,322	927,309
Miscellaneous	142,367	-	-	8,872	151,239
Total Receipts	21,280,296	883,401	9,315,283	3,837,309	35,316,289
Disbursements:					
Current:					
Instruction:					
Regular	8,428,332	-	139,351	496,045	9,063,728
Special	2,264,089	-	-	745,236	3,009,325
Vocational	323,463	-	-	-	323,463
Other	1,461,555	-	-	-	1,461,555
Support services:					
Pupils	551,117	-	-	166,841	717,958
Instructional staff	663,929	-	573,051	194,136	1,431,116
Board of Education	257,899	-	-	-	257,899
Administration	1,632,479	5	-	42,572	1,675,056
Fiscal	725,441	22,502	-	22,904	770,847
Business	12,873	-	-	-	12,873
Operation and Maintenance of Plant	1,943,707	-	-	629,095	2,572,802
Pupil Transportation	1,521,347	-	-	106,446	1,627,793
Central	156,772	-	-	-	156,772
Operation of Food Services	3,151	-	-	1,091,377	1,094,528
Community Services	-	-	-	89,636	89,636
Intergovernmental	-	-	1,585,090	-	1,585,090
Extracurricular Activities	385,610	-	-	302,032	687,642
Capital Outlay	4,000	-	-	1,721,202	1,725,202
Debt service:					
Principal Retirement	50,944	525,000	-	-	575,944
Interest and Fiscal Charges	5,591	171,828	-	50,331	227,750
Total Disbursements	20,392,299	719,335	2,297,492	5,657,853	29,066,979
Excess (Deficiency) of Receipts Over (Under) Disbursements	887,997	164,066	7,017,791	(1,820,544)	6,249,310
Other Financing Sources (Uses):					
Issuance of Debt	-	-	-	1,915,947	1,915,947
Premium on Debt Issued	-	-	-	50,331	50,331
Compensation for Loss of Assets	1,028	-	-	-	1,028
Total Other Financing Sources (Uses)	1,028	-	-	1,966,278	1,967,306
Net Change in Fund Balances	889,025	164,066	7,017,791	145,734	8,216,616
Fund Balance, Beginning of Year	111,308	1,014,599	-	197,478	1,323,385
Fund Balance, End of Year	\$ 1,000,333	\$ 1,178,665	\$ 7,017,791	\$ 343,212	\$ 9,540,001

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 CASH FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds **\$ 8,216,616**

*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.

207,544

Change in Net Position of Governmental Activities **\$ 8,424,160**

**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, 2014**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	\$ 7,117,694	\$ 6,601,371	\$ 6,734,721	\$ 133,350
Intergovernmental	12,486,273	12,821,587	12,821,588	1
Interest	109	109	156	47
Tuition and Fees	674,095	875,845	875,717	(128)
Charges for Services	-	-	572,987	572,987
Miscellaneous	114,281	130,411	142,367	11,956
Total Receipts	20,392,452	20,429,323	21,147,536	718,213
Disbursements:				
Current:				
Instruction:				
Regular	8,482,468	8,435,089	8,435,083	6
Special	2,123,935	2,266,401	2,266,399	2
Vocational	322,173	323,464	323,463	1
Other	1,530,456	1,472,979	1,472,979	-
Support services:				
Pupils	596,888	607,654	607,652	2
Instructional staff	690,422	669,270	669,266	4
Board of Education	(30,626)	257,899	257,899	-
Administration	1,488,526	1,633,217	1,633,214	3
Fiscal	716,955	725,740	725,740	-
Business	22,600	12,873	12,873	-
Operation and Maintenance of Plant	1,772,383	1,944,143	1,944,141	2
Pupil Transportation	1,451,200	1,521,392	1,521,392	-
Central	84,950	155,731	155,731	-
Operation of Food Services	2,804	3,151	3,151	-
Extracurricular Activities	249,260	263,432	263,432	-
Capital Outlay	3,500	4,000	4,000	-
Total Disbursements	19,507,894	20,296,435	20,296,415	20
Excess of Receipts Over (Under) Disbursements	884,558	132,888	851,121	718,233
Other Financing Sources (Uses):				
Compensation for Loss of Assets	1,175	1,023	1,028	5
Total Other Financing Sources (Uses)	1,175	1,023	1,028	5
Net Change in Fund Balance	885,733	133,911	852,149	718,238
Fund Balances at Beginning of Year	60,467	60,467	60,467	-
Prior Year Encumbrances Appropriated	927	927	927	-
Fund Balances at End of Year	\$ 947,127	\$ 195,305	\$ 913,543	\$ 718,238

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)
STRAIGHT A FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Intergovernmental	\$ 14,999,128	\$ 14,999,128	\$ 9,315,283	\$ (5,683,845)
Total Receipts	<u>14,999,128</u>	<u>14,999,128</u>	<u>9,315,283</u>	<u>(5,683,845)</u>
Disbursements:				
Current:				
Instruction:				
Regular	8,269,495	397,160	397,160	-
Instructional staff	6,709,633	1,272,646	1,272,646	-
Pupil Transportation	20,000	-	-	-
Intergovernmental	-	13,329,322	13,329,322	-
Total Disbursements	<u>14,999,128</u>	<u>14,999,128</u>	<u>14,999,128</u>	<u>-</u>
Net Change in Fund Balance	-	-	(5,683,845)	(5,683,845)
Fund Balances at Beginning of Year	-	-	-	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,683,845)</u>	<u>\$ (5,683,845)</u>

See accompanying notes to the basic financial statements.

NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2014

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Assets:	
Equity in Pooled Cash and Investments	\$ (31,466)
Total Assets	<u>\$ (31,466)</u>
Net Position:	
Unrestricted	\$ (31,466)
Total Net Position	<u>\$ (31,466)</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 POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Operating Receipts:	
Charges for Services	\$ 4,204,154
Total Operating Receipts	<u>4,204,154</u>
Operating Disbursements:	
Claims	3,453,499
Administration	543,111
Total Operating Disbursements	<u>3,996,610</u>
Change in Net Position	<u>207,544</u>
Net Position at Beginning of Year	<u>(239,010)</u>
Net Position at End of Year	<u><u>\$ (31,466)</u></u>

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$ 237,528	\$ 35,728
Total Assets	\$ 237,528	\$ 35,728
Net Position		
Held in Trust for Scholarships	\$ 237,528	\$ -
Held for Students Activity	-	35,728
Total Net Position	\$ 237,528	\$ 35,728

See accompanying notes to the basic financial statements.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust
Additions	
Contributions	\$ 20,700
Total Additions	20,700
 Deductions	
Scholarship Awarded	18,550
Total Deductions	18,550
 Change in Net Position	 2,150
 Net Position - Beginning of Year	 235,378
Net Position - End of Year	\$ 237,528

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, 2014

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 237 certificated and non-certificated employees who provide services to 2,174 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 one 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, and the Ohio School Boards Association Workers Compensation Group Rating 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, 2014

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.A, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

The District's financial statements are prepared using the 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 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 cash basis of accounting include a government-wide statement, including a cash basis statement of net position and a statement of activities, and cash basis fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements. The Statement of Net Position 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, 2014*

Note 2 - Summary of Significant Accounting Policies (Continued)

The statement of net position 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 – used to account for all financial resources except those required to be accounted for in another fund.

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

Straight A Fund – used to account for grant monies received through the Straight A Program that are restricted for projects that will provide for advancement in student achievement, achieve spending reductions in the five-year forecast or allow a greater share of resources to be used in the classroom.

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, 2014*

Note 2 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 position and changes in net position. 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 2014, 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, 2014. 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 2014 amounted to \$156, all of which was recorded in the General Fund.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 and Straight A Fund "Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)" have 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 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 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, 2014*

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 cash basis financial statements.

J. Long-Term Obligations

The District's 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 Position

Net position are recorded in conjunction with assets recorded by the District. Net position is 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.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. None of the District's restricted net position 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, 2014*

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 position 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, 2014*

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.

R. Deferred Outflows and Inflows of Resources

The District's cash basis financial statements do not report deferred outflows and inflows of resources. The District recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

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 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/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 School District had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Codes Section 5705.10:

	<u>Amount</u>
Internal Service Fund	(\$31,466)
Food Service Fund	(79,027)
Title II A	(9,481)

Northern Local District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 4 - Deposits and Investments (Continued)

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.

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 \$9,775,457 including certificates of deposit totaling \$90,000, and the bank balance was \$9,841,184. Of the District's bank balance, \$468,191 was covered by Federal Deposit Insurance (FDIC) and the remaining balance was exposed to custodial risk. Although all statutory requirement for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. In addition the District held \$1,500 in petty cash at fiscal year-end.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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, 2014, the District had the following investments:

	Fair Value	Maturity in Years		Percent to Total
		Less than 1	1 to 3	
STAROhio	3,565	3,565	-	73.75%
RSA Mutual Fund	1,269	1,269	-	26.25%
Total	\$4,834	\$4,834	\$ -	100.00%

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 4 - Deposits and Investments (Continued)

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.

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 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, 2014*

Note 5 - Property Taxes (Continued)

The assessed values upon which property taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$264,321,650	84.05%	\$262,009,180	83.88%
Public Utility Personal	50,158,880	15.95%	50,339,030	16.12%
Total	\$314,480,530	100.00%	\$312,348,210	100.00%
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 2014, 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 (\$5,000 deductible)	\$87,664,765
Accounts Receivable	250,000
Equipment (\$250 deductible)	100,000
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 2014 from fiscal year 2013.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 6 - Risk Management (Continued)

B. Workers Compensation

For fiscal year 2014, 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 \$4,204,154 of which the District paid \$3,375,944 while the employees were responsible for the remaining portion.

At June 30, 2014 the self-insurance balance was (\$31,466). A comparison of the internal service fund cash and investments to the actuarially-measured liability as of June 30, 2013 follows:

	2014	2013
Cash and investments	(\$31,466)	(\$239,010)
Claims liabilities at June 30	\$196,733	\$245,937

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, 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 under Employer/Audit Resources.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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, 2014, the allocation to pension and death benefits is 13.1%. The remaining .90% 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, 2014, 2013, and 2012, were \$358,400, \$347,957, and \$394,765 respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description - The District participates in 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.

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 9.5% 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 may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 31st 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 9.5% 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 – For members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member’s defined contribution account and the remaining amount is applied to the DB Plan. 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 with five years of service credit. 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, 2014*

Note 7 - Defined Benefit Pension Plans (Continued)

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 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11 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, 2014, 2013, and 2012 were \$1,139,558, \$1,233,706, and \$1,260,153, 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, 2014*

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 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 2014, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$20,793 \$19,656, and \$23,214, 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.

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, 2014, the health care allocation is .14%. 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 2014, the minimum compensation level was established at \$20,250. 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, 2014, 2013, and 2012 were \$3,830, \$4,250, and \$17,096, 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, 2014*

Note 8 - Postemployment Benefits (Continued)

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 under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description - The District participates in the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio). The Plan provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for them most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

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. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$87,658, \$94,900, and \$96,935, 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, 2014*

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	Due Within One Year
Government Activities					
Construction & Improvement					
Refunding Bonds					
Mature 10/2023; 1.00%-3.50%	\$ 3,824,997	\$ -	\$ 340,000	\$ 3,484,997	\$ 340,000
Permanent Improvement					
Tax Anticipation Notes					
Mature 12/2020; 1.00%-4.50%	1,600,000	-	185,000	1,415,000	185,000
2013 Energy Conservation Bonds					
Mature 12/2028; 1.00%-4.00%	-	1,915,947	-	1,915,947	100,000
Total	<u>\$ 5,424,997</u>	<u>\$ 1,915,947</u>	<u>\$ 525,000</u>	<u>\$ 6,815,944</u>	<u>\$ 625,000</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.

During fiscal year 2012, the District issued \$4,194,997 in Construction & Improvement Refunding Bonds which consisted of \$4,100,000 in serial bonds and \$94,997 in capital appreciation bonds. The capital appreciation bonds will mature on October 1, 2018. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of these bonds is \$370,000.

The Construction & Improvement Refunding Bonds were issued to refund the outstanding balance of the School Facilities Construction Bonds (\$4,195,000). This refunding was undertaken to take advantage of lower interest rates. The total debt service payments were reduced by \$460,607 and the present value of this reduction resulted in an economic gain of \$386,857.

During fiscal year 2012, the District also issued \$2,000,000 in Permanent Improvement Tax Anticipation Notes. The proceeds of the notes were used for permanent improvements made by the District. These notes are special obligations of the District for which the receipts of a 4.2 mill permanent improvement levy are pledged and are payable from taxes levied on all taxable property within the District.

On November 14, 2013, the District issued \$1,915,947 in energy conservation improvement bonds which consisted of \$960,000 in serial bonds, \$875,000 in term bonds, and \$80,947 in capital appreciation bonds. The capital appreciation bonds will mature on December 1, 2016 in the amount of \$115,000.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 9 - Long Term Obligations (Continued)

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

Fiscal Year Ending June 30	Principal	Interest
2015	\$ 625,000	\$ 187,559
2016	650,000	175,344
2017	630,947	196,704
2018	685,000	148,209
2019	424,997	410,009
2020-2024	3,060,000	381,865
2025-2029	740,000	75,570
	\$ 6,815,944	\$ 1,575,260

Note 10 – Lease Obligations

The District has entered into capitalized leases for copiers and computers.

Due to the District reporting on the 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.

In fiscal year 2014, the District made lease payment totaling \$50,944 in principal and \$5,591 in interest.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30	Principal	Interest
2015	\$ 53,292	\$ 3,243
2016	29,407	1,074
2017	11,062	338
2018	946	4
	\$ 94,707	\$ 4,659

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 2014 were \$100,900. 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 fiscal officer at 2100 Citygate Drive, Columbus, Ohio 43219.

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.

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 11 - Jointly Governed Organizations (continued)

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
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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:

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2013	\$ -
Current Year Set-aside Requirement	366,747
Current Year Offsets	(783,371)
Qualifying Disbursements	-
Total	<u>\$ (416,624)</u>

Although the School District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvements set-aside, this amount may not be used to reduce the set aside requirement of future years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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, 2014

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 and Straight A Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding fiscal year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted or assigned fund balance (cash basis).

In addition, differences may exist based on fund type reporting criteria between the cash basis financial statements and budgetary basis financial statements. The budgetary comparison information presented at June 30, 2014 for the General Fund represents the legally adopted budget for the General Fund without modification for any other funds combined with the General Fund for reporting purposes. The District's Public School Support Fund is presented as part of the School District's General Fund in the fiscal year-end financial statements.

	General Fund	Straight A Fund
Change in Fund Balance	\$ 889,025	\$ 7,017,791
Public School Support Fund	(9,541)	-
Encumbrances	(27,335)	(12,701,636)
Change in Fund Balance - Budgetary Basis	\$ 852,149	\$ (5,683,845)

Note 16 – Reclassification of Fund Balance

The District's Permanent Improvement Fund was not required to be reported as a major fund in fiscal year 2014. Therefore, the District reclassified the Permanent Improvement Fund from a major fund to Other Governmental Funds. The reclassification of the fund balance resulted in changes to beginning of year balances as detailed below:

	Permanent Improvement Fund	Other Governmental Funds
Fund Balance, June 30, 2013	\$ 14,205	\$ 183,273
Reclassification of Fund	(14,205)	14,205
Fund Balance, July 1, 2013	\$ -	\$ 197,478

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 17 – Changes in Accounting Principles

For fiscal year 2014, the District has implemented the following:

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the District.

Note 18 – Contractual Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds	
General Fund	\$ 29,809
Straight A Grant Fund	12,701,636
Other Governmental Funds	238,639
Total Governmental Funds	<u>12,970,084</u>
Fiduciary Fund	
Agency Fund	9,438
Grand Total	<u>\$ 12,979,522</u>

**Northern Local District
Perry County**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 18 – Contractual Commitments (continued)

Contractual Commitments

The District had the following significant contractual commitment at June 30, 2014:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Outstanding Balance</u>
Battelle for Kids	Straight A Grant	\$ 6,499,870	\$ -	\$ 6,499,870
Ohio University	Straight A Grant	250,000	-	250,000
Total		<u>\$ 6,749,870</u>	<u>\$ -</u>	<u>\$ 6,749,870</u>

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2013/2014	10.553	\$ 10,844	\$ 10,844
National School Lunch Program	2013/2014	10.555	61,447	61,447
Non-Cash Assistance Subtotal			<u>72,291</u>	<u>72,291</u>
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	235,414	235,414
National School Lunch Program	2013/2014	10.555	417,321	417,321
Cash Assistance Subtotal			<u>652,735</u>	<u>652,735</u>
Total Child Nutrition Cluster			<u>725,026</u>	<u>725,026</u>
Total U.S. Department of Agriculture			725,026	725,026
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	25,590	8,792
	2014		488,267	485,237
Total Title I Grants to Local Educational Agencies			<u>513,857</u>	<u>494,029</u>
Special Education - Grants to States	2014	84.027	437,644	429,263
Twenty-First Century Community Learning Centers	2013	84.287	37,812	128,486
	2014		400,000	342,356
Total Twenty-First Century Community Learning Centers			<u>437,812</u>	<u>470,842</u>
Improving Teacher Quality State Grants	2013	84.367	6,796	0
	2014		77,502	86,983
Total Improving Teacher Quality State Grants			<u>84,298</u>	<u>86,983</u>
ARRA - Race-to-the-Top Incentive Grants, Recovery Act				
Race to the Top	2013	84.395	911	4,001
Ohio Appalachian Collaborative (OAC)	2013		0	2,004
Race to the Top	2014		11,806	11,735
Ohio Appalachian Collaborative (OAC)	2014		103,310	93,908
Race to the Top - OACR	2014		41,827	41,827
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>157,854</u>	<u>153,475</u>
Race to the Top - Early Learning Challenge	2014	84.412	700	700
Total U.S. Department of Education			<u>1,632,165</u>	<u>1,635,292</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,357,191</u>	<u>\$ 2,360,318</u>

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

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at their entitlement value. The District allocated donated food commodities to the respective programs that benefited from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northern Local School District
Perry County
8700 Sheridan Road NW
Thornville, Ohio 43076

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The District's responses to the findings 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Northern Local School District
Perry County
8700 Sheridan Road NW
Thornville, Ohio 43076

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Northern Local School District's, Perry County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster and Twenty-First Century Grant

As described in Findings 2014-004 and 2014-005 in the accompanying Schedule of Findings, the District did not comply with the requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-004	10.553 & 10.555	Child Nutrition Cluster	Special Tests and Provisions
2014-005	84.287	Twenty-First Century Grant	Reporting

Compliance with these requirements is necessary in our opinion, for the District to comply with the requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster and Twenty-First Century Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster and Twenty-First Century Grant* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster and Twenty-First Century Community Learning Centers Grant for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. *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's applicable 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-004 and 2014-005 to be material weaknesses.

Northern Local School District
Perry County
Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Federal Program and on
Internal Control over Compliance Required by OMB Circular A-133
Page 3

The District's responses to our internal control over compliance findings are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2015

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**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Child Nutrition Cluster and Twenty-First Century Grant
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster, CFDA #'s 10.553 and 10.555 • Twenty-First Century Grant, CFDA # 84.287 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the District to file its annual financial report pursuant to generally accepted accounting principles. However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-001 (Continued)

Noncompliance Citation – Ohio Rev. Code § 117.38 (Continued)

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response: The District has determined that it's cost prohibitive to prepare complete GAAP statements and has elected to prepare look a-like statements that are consistent with GAAP.

FINDING NUMBER 2014-002

Noncompliance Citation

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

At the end of October 2013, the following funds had negative cash fund balances:

<u>Fund</u>	<u>Negative Balance</u>
Food Service Fund (006)	\$249,889
Self-Insurance Fund (024)	193,764
Race to the Top Fund (506)	11,252
IDEA Fund (516)	65,328
Title I Fund (572)	22,636
Improving Teacher Quality Fund (590)	2,209

At the end of April 2014, the following funds had negative cash fund balances:

<u>Fund</u>	<u>Negative Balance</u>
Food Service Fund (006)	\$189,509
Self-Insurance Fund (024)	98,433
IDEA Fund (516)	41,479
Title I Fund (572)	59,624
Improving Teacher Quality Fund (590)	16,236
21st Century Grant (599)	37,154

In addition, the Food Service Fund, Self-Insurance Fund and Improving Teacher Quality Fund had negative cash fund balances of \$79,027, \$31,466 and \$9,481 at the end of June 2014.

The negative fund cash balances indicate that money from one fund was used to cover the expenses of the funds with negative balances.

We recommend the Treasurer monitor activity in the funds to ensure that money paid into funds are only being used for the purposes for which such funds are established.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

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

FINDING NUMBER 2014-002 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.10(I) (Continued)

Officials' Response: The District will take action to monitor activity in funds to ensure that money paid into funds is only being utilized for the purposes for which those funds have been established.

FINDING NUMBER 2014-003

Material Weakness

Governmental Accounting Standards Board Statement No. 34, Paragraph 130, states, in part, that budgetary comparison schedules should be presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. The original budget is the first complete appropriated budget. 55 NCGA Interpretation 10, paragraph 11, as amended by this Statement, defines appropriated budget as "the expenditure authority created by the appropriation bills or ordinances which are signed into law and related estimated revenues".

The Straight A Grant Fund, a major fund, was established during fiscal year 2014. Our testing of the Straight A Grant Fund budgetary statement, as presented for audit, noted that \$0 was reported for the original budgeted receipts and disbursements. The original budgeted receipts and disbursements should have reflected the budgeted amounts first adopted by the board, on February 20, 2014, for the Straight A Grant Fund, as documented below:

Original Budgeted Receipts:

Intergovernmental Receipts - \$14,999,128

Original Budgeted Disbursements:

Instruction: Regular - \$8,269,495

Instruction: Instructional Staff - \$6,709,633

Support Services: Pupil Transportation - \$20,000

This resulted in adjustments, which were agreed to by management, being made to the District's Straight A Grant Fund budgetary statement.

We recommend the District follow the requirements of GASB Statement No. 34 when preparing its budgetary statements each year.

Officials' Response: We did not receive a response from Officials to this finding.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2014-004
CFDA Title and Number	Child Nutrition Cluster – CFDA #s 10.553 and 10.555
Federal Award Number / Year	2013-2014
Federal Agency	U.S. Department of Education
Pass Through Agency	Ohio Department of Education

Noncompliance and Material Weakness - Special Tests and Provisions – Free and Reduced Price Applications

7 C.F.R. Part 245.6a establishes procedures for verifying free and reduced lunch applications. By November 15th of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st. LEAs must select the sample by one of the following methods:

a. **Standard Sample Size.** The lesser of 3 percent or 3,000 of the approved applications on file as of October 1, selected from error-prone applications. For this purpose, error prone applications are those showing household incomes within \$100 monthly or \$1,200 annually of the income eligibility guidelines for free and reduced price meals.

b. **Alternative Sample Sizes.**

(1) The lesser of 3 percent or 3,000 applications selected at random from approved applications on file as of October 1 of the school year, or

(2) The sum of: (a) the lesser of 1 percent of all applications identified as error-prone or 1,000 error-prone applications, and (b) the lesser of 1/2 of 1 percent of, or 500, approved applications in which the household provided, in lieu of income information, a case number showing participation in the SNAP, TANF, or FDPIR.

(3) The use of alternative sample sizes is available only as follows:

(a) Any LEA may qualify if its non-response rate for the preceding school year's verification was less than 20 percent; or

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2014-004 (Continued)

Noncompliance and Material Weakness - Special Tests and Provisions – Free and Reduced Price Applications (Continued)

(b) An LEA with more than 20,000 children approved by application for free and reduced price meals may qualify if its non-response rate for the preceding year had improved over the rate for the second preceding year by at least 10 percent.

“Non-response rate” is defined as the percentage of approved household applications selected for verification for which the LEA has not obtained verification information.

For fiscal year 2014, it does not appear the District selected 3 percent of applications for the verification process as required. For one of the seven applications selected for verification (14 percent), the District did not maintain the proper documentation used to determine the students were eligible for free or reduced lunch. Additionally, the District did not properly make changes to the eligibility status based on this non-documentation.

We recommend the District follow-up with the verification process and in the event they do not receive proper documentation to validate a free or reduced lunch determination, make the necessary changes to the eligibility status by denying the students application.

Officials’ Response: See Corrective Action Plan.

Finding Number	2014-005
CFDA Title and Number	Twenty-First Century Grant - CFDA 84.287
Federal Award Number / Year	2013-2014
Federal Agency	U.S. Department of Education
Pass Through Agency	Ohio Department of Education

Noncompliance and Material Weakness - Reporting

Ohio Department of Education (ODE) project cash request instructions – GM/PCR-1, Revised 4/4/2013, provide detail on how to complete the Total Cash Basis Expenditures by Object Code section of the project cash request (PCR). The instructions indicate that the School District should “run a year-to-date financial report to capture amounts that have actually been expended in each object category, and enter the amount paid in each object”. The instructions also point out that this section of the PCR is cumulative. Furthermore, the instructions state “do not include any encumbered amounts in this section”.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2014-005 (Continued)

Noncompliance and Material Weakness - Reporting (Continued)

The District was required to request from ODE the payment of project funds utilizing a Project Cash Request form (PCR).

For the two tested PCRs for the Twenty-First Century Grant, cash basis expenditures reported on the PCRs did not agree to the expenditures reported on the District's underlying financial records as follows:

<u>PCR Date</u>	<u>Cash Basis Expenditures Reported on the PCR</u>	<u>Cash Basis Expenditures per District Accounting System</u>	<u>Variance</u>	<u>Encumbrances per District Accounting System</u>
November 2013:				
Salaries	\$7,056	\$4,725	\$2,331	\$0
Benefits	4,941	4,941	0	0
Purchased Services	71,641	32,480	39,161	39,161
Supplies	4,307	250	4,057	4,057
Total	\$87,945	\$42,396	\$45,549	\$43,218
March 2014:				
Salaries	\$15,493	\$15,493	\$0	\$0
Benefits	9,236	9,220	16	0
Purchased Services	190,655	159,735	30,920	30,920
Supplies	41,905	31,972	9,933	9,933
Total	\$257,289	\$216,420	\$40,869	\$40,853

It appears that variances occurred in Purchased Services and Supplies because the Treasurer reported actual cash basis expenditures to date, plus encumbrances, on the two PCRs tested. The remaining variances in Salaries and Benefits are unexplained. As a result of the misstatements, cash basis expenditures reported on PCRs were overstated which also caused the cash balance on hand to be inaccurately reported on the two PCRs tested.

Furthermore, year-to-date financial reports were not maintained to support exact amounts reported as cash basis expenditures and cash balance on hand, on four of the six PCRs.

We recommend the Treasurer ensure cash basis expenditures and cash on hand reported on PCRs are accurate and agree to the underlying financial records. Financial reports should be maintained on file to support amounts presented on PCRs.

Officials' Response: See Corrective Action Plan.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2013-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected; this item is repeated in the accompanying Schedule of Findings as Finding Number 2014-001.
2013-002	A material noncompliance citation was issued under Ohio Rev. Code § 5705.10(I) for having negative fund balances.	No	Not Corrected; this item is repeated in the accompanying Schedule of Findings as Finding Number 2014-002.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-004	The District will take action to ensure that three percent of applications for the verification process will be completed and that all proper documentation will be maintained for those eligible for free or reduced lunch.	March 31, 2015	Food Service Director and Treasurer
2014-005	The District will take action to ensure cash basis expenditures and cash on hand reported on the PCRs is accurate and agrees to the underlying financial records. Financial reports will be maintained on file to support amounts presented on PCRs.	March 31, 2015	Treasurer



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
MARCH 31, 2015**