

NORTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

SINGLE AUDIT

JULY 1, 2006 – JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Northern Local School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 7, 2007

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**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the School District) as of and for the fiscal year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio, as of June 30, 2007, and the respective changes in the modified cash basis financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

As discussed in Note 17, the School District has reclassified its Capital Project Permanent Improvement and Building Funds based on these funds not meeting major fund reporting criteria for fiscal year 2007.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Northern Local School District
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report described the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
November 9, 2007

Northern Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007

As management of the Northern Local School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the Northern Local School District for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- Net assets of governmental activities decreased \$1,000,170.
- General cash receipts accounted for \$15,902,199 in cash receipts or 78 percent of all cash receipts. Program specific cash receipts in the form of charges for services and sales, operating grants and contributions accounted for \$4,604,133 or 22 percent of total receipts of \$20,506,332.
- The School District had \$21,506,502 in cash disbursements related to governmental activities; only \$4,604,133 of these cash disbursements were offset by program specific charges for services and sales, operating grants and contributions. General cash receipts of \$15,902,199 were needed to provide for these programs.
- The School District's major fund is the general fund. The general fund had \$17,026,115 in cash receipts and other financing sources and \$18,028,854 in cash disbursements. The general fund's balance decreased \$1,002,739. The significant decrease in the general fund is a result of the timing of the distribution of taxes by the county auditor. A large portion of the second tax settlement was not received from the county until July 2007.

Using this Annual Financial Report

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

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

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Reporting the School District as a Whole

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

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2007?” The Statement of Net Assets and the Statement of Activities answer this question. These statements are presented on the modified cash basis of accounting. This basis of accounting only takes into account the receipts that were received and the disbursements that were paid.

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

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major fund begins on page 9. Fund financial reports provide detailed information about the School District’s major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental fund is the general fund.

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

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

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007*

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

The School District as a Whole

Table 1 shows the changes in net assets for the fiscal year ended June 30, 2007 in comparison to June 30, 2006.

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Home of the Generals

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 1
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,254,640	\$ 1,249,338
Operating Grants and Contributions	3,349,493	3,247,620
Total Program Cash Receipts	<u>4,604,133</u>	<u>4,496,958</u>
General Cash Receipts:		
Property Taxes	4,899,376	5,960,897
Grants and Entitlements	10,691,295	10,684,053
Investment Earnings	170,506	138,491
Sale of Capital Assets	1,298	7,371
Miscellaneous	139,724	162,564
Total General Cash Receipts	<u>15,902,199</u>	<u>16,953,376</u>
Total Cash Receipts	<u>20,506,332</u>	<u>21,450,334</u>
Program Cash Disbursements:		
Instruction:		
Regular	7,827,354	7,454,342
Special	1,373,178	1,298,518
Vocational	255,396	271,057
Other	792,272	681,219
Support Services:		
Pupils	1,205,103	1,251,169
Instructional Staff	942,610	986,102
Board of Education	599,210	446,544
Administration	1,398,823	1,412,182
Fiscal	488,834	597,043
Business	22,976	22,307
Operation and Maintenance of Plant	2,660,443	2,305,135
Pupil Transportation	1,420,230	1,420,817
Central	42,416	39,743
Operation of Food Service	841,472	763,540
Community Services	98,862	144,967
Extracurricular Activities	581,833	598,589
Capital Outlay	100,975	529,785
Debt Service:		
Principal Retirement	550,000	535,000
Interest and Fiscal Charges	304,515	330,050
Total Program Cash Disbursements	<u>21,506,502</u>	<u>21,088,109</u>
Change in Net Assets	(1,000,170)	362,225
Net Assets at Beginning of Year	5,216,603	4,854,378
Net Assets at End of Year	<u>\$ 4,216,433</u>	<u>\$ 5,216,603</u>

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007*

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

Our School District, which is dependent on property taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 24 percent of receipts for governmental activities for the School District in fiscal year 2007.

The major program cash disbursements for governmental activities are for instruction, which accounts for 48 percent of all governmental cash disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 17 percent of total government cash disbursements. Maintenance of the School District's facilities also represents a significant cash disbursement, 12 percent.

The Statement of Activities shows the cost of program services and the charges for services and grants, contributions offsetting those services. Table 2 shows the total cost of services and the net cost of services for governmental services for the year ended June 30, 2007 and the previous year, June 30, 2006. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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Home of the Generals

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 2
 Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program Cash Disbursements				
Instruction:				
Regular	\$ 7,827,354	\$ 7,581,151	\$ 7,454,342	\$ 7,193,045
Special	1,373,178	(12,837)	1,298,518	98,545
Vocational	255,396	175,755	271,057	186,571
Other	792,272	792,272	681,219	681,219
Support Services:				
Pupils	1,205,103	379,972	1,251,169	457,746
Instructional Staff	942,610	907,948	986,102	949,463
Board of Education	599,210	599,210	446,544	446,544
Administration	1,398,823	1,397,593	1,412,182	1,407,906
Fiscal	488,834	485,238	597,043	588,625
Business	22,976	22,976	22,307	22,307
Operation and Maintenance of Plant	2,660,443	2,660,443	2,305,135	2,305,135
Pupil Transportation	1,420,230	649,982	1,420,817	603,831
Central	42,416	42,416	39,743	39,743
Operation of Food Service	841,472	(12,062)	763,540	(66,033)
Community Services	98,862	39,321	144,967	68,057
Extracurricular Activities	581,833	237,501	598,589	213,612
Capital Outlay	100,975	100,975	529,785	529,785
Debt Service:				
Principal Retirement	550,000	550,000	535,000	535,000
Interest and Fiscal Charges	304,515	304,515	330,050	330,050
Total Program Cash Disbursements	<u>\$ 21,506,502</u>	<u>\$ 16,902,369</u>	<u>\$ 21,088,109</u>	<u>\$ 16,591,151</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as over 84 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities are provided through program cash receipts. That is the result of operating grants and contributions restricted for special instruction purposes.

Food service was covered completely by program cash receipts for fiscal year 2007 creating an excess of \$12,062. This is consistent with the prior year and is due to cafeteria sales and state and federal subsidies. Almost 59 percent of extracurricular activities disbursements are covered by program cash receipts. This is a result of athletic fees, ticket sales, and gate receipts.

The School District Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All governmental funds had total cash receipts, including other financing sources, of \$20,506,331 and cash disbursements of \$21,562,613. The excess cash disbursements over cash receipts for the governmental funds totaled \$1,057,580. The general fund and permanent improvement fund, an other governmental fund, accounted for the deficit spending during fiscal year 2007 due to tax receipts not being received until July 2007.

Northern Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007*

The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2007 for all of the major and non-major governmental funds. The Permanent Improvement and Building Fund were considered major funds on the June 30, 2006 financial statements. The funds no longer meet the definition of a major fund under the applicable standards and the fund balances of \$282,648 and \$1,032 has been reclassified for comparison purposes into the Other Governmental Funds.

Table 3
Fund Balance Analysis

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$ 2,881,201	\$ 3,883,940	\$ (1,002,739)
Other Governmental funds (Restated)	<u>862,383</u>	<u>915,926</u>	<u>(53,543)</u>
Total	<u>\$ 3,743,584</u>	<u>\$ 4,799,866</u>	<u>\$ (1,056,282)</u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its general fund budget, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

For the general fund, final estimated receipts were \$17,026,335 which was slightly less than the actual cash receipts and other financing sources of \$17,026,115. Final budgetary cash disbursements, excluding other sources, were \$146,745 less than the final appropriation measure of \$18,340,815.

The School District's ending unobligated budgetary cash balance was \$2,715,988.

Debt Administration

Debt

At June 30, 2007, the School District had \$5,994,000 in debt outstanding which is a \$550,000 reduction in debt from the prior period. Due to prudent spending and continuous monitoring of all cash receipts and cash disbursements, our bond rating is AAA.

Northern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 4
 Outstanding Debt at Fiscal Year End

	Principal Outstanding 6/30/2007	Principal Outstanding 6/30/2006
Governmental Activities		
School Facilities Construction Bonds Issued 10/01; Mature 10/23; 3.30% - 5.00%	\$ 5,099,000	\$ 5,329,000
PI TAN's mature 10/09 Issued 11/98; 5.32% - 5.65%	750,000	1,000,000
School District Energy Conservation Bonds Issued 09/99; Mature 10/08; 4.35% - 4.50%	145,000	215,000
Total Governmental Activities Long-Term Liabilities	\$ 5,994,000	\$ 6,544,000

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

Economic Factors

The School District's current five-year forecast is projecting deficit spending at the end of fiscal year 2010 and 2011 with positive ending cash balances for fiscal year 2008 through 2011 of \$4,443,995, \$4,710,879, \$4,665,307 and \$4,249,719, respectively.

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

Contacting the School District's Financial Management

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

Northern Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$ 4,216,433</u>
<i>Total Assets</i>	<u><u>\$ 4,216,433</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 150,054
Debt Service	232,950
Set Asides	59,192
Claims	37,000
Other Purposes	533,160
Unrestricted	<u>3,204,077</u>
<i>Total Net Assets</i>	<u><u>\$ 4,216,433</u></u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 7,827,354	\$ 64,057	\$ 182,146	\$ (7,581,151)
Special	1,373,178	121,771	1,264,244	12,837
Vocational	255,396	-	79,641	(175,755)
Other	792,272	-	-	(792,272)
Support Services:				
Pupil	1,205,103	224,759	600,372	(379,972)
Instructional Staff	942,610	13,697	20,965	(907,948)
Board of Education	599,210	-	-	(599,210)
Administration	1,398,823	1,230	-	(1,397,593)
Fiscal	488,834	3,596	-	(485,238)
Business	22,976	-	-	(22,976)
Operation and Maintenance of Plant	2,660,443	-	-	(2,660,443)
Pupil Transportation	1,420,230	-	770,248	(649,982)
Central	42,416	-	-	(42,416)
Operation of Food Services	841,472	436,368	417,166	12,062
Community Services	98,862	44,830	14,711	(39,321)
Extracurricular Activities	581,833	344,332	-	(237,501)
Capital Outlay	100,975	-	-	(100,975)
Debt Service:				
Principal Retirement	550,000	-	-	(550,000)
Interest and Fiscal Charges	304,515	-	-	(304,515)
<i>Totals</i>	<u>\$ 21,506,502</u>	<u>\$ 1,254,640</u>	<u>\$ 3,349,493</u>	<u>(16,902,369)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	3,918,797
Capital Outlay	442,487
Debt Service	538,092
Grants and Entitlements not restricted to Specific Programs	10,691,295
Investment Earnings	170,506
Sale of Capital Assets	1,298
Miscellaneous	139,724
<i>Total General Receipts</i>	<u>15,902,199</u>
Change in Net Assets	(1,000,170)
<i>Net Assets Beginning of Year</i>	<u>5,216,603</u>
<i>Net Assets End of Year</i>	<u>\$ 4,216,433</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Investments	\$ 2,822,009	\$ 862,383	\$ 3,684,392
Restricted Cash and Cash Equivalents	59,192	-	59,192
<i>Total Assets</i>	<u>\$ 2,881,201</u>	<u>\$ 862,383</u>	<u>\$ 3,743,584</u>
Fund Balances			
Reserved for Encumbrances	\$ 165,213	\$ 88,236	\$ 253,449
Reserved for BWC Refunds	59,192	-	59,192
Unreserved:			
Designated for Budget Stabilization	311,774	-	311,774
Undesignated, Reported in:			
General Fund	2,345,022	-	2,345,022
Special Revenue Funds	-	444,924	444,924
Debt Service Fund	-	232,950	232,950
Capital Projects Funds	-	96,273	96,273
<i>Total Fund Balances</i>	<u>\$ 2,881,201</u>	<u>\$ 862,383</u>	<u>\$ 3,743,584</u>

See accompanying notes to the basic financial statements

Northern Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances	\$3,743,584
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*Amounts reported for governmental activities in the statement of
net assets are different because*

Governmental activities' net assets include the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.	<u>472,849</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$4,216,433</u></u>
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See accompanying notes to the basic financial statements

Northern Local School District
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$ 3,918,797	\$ 980,579	\$ 4,899,376
Intergovernmental	12,327,385	1,713,403	14,040,788
Interest	165,654	4,852	170,506
Tuition and Fees	473,939	-	473,939
Extracurricular Activities	-	344,332	344,332
Charges for Services	-	436,368	436,368
Miscellaneous	139,042	682	139,724
<i>Total Receipts</i>	<u>17,024,817</u>	<u>3,480,216</u>	<u>20,505,033</u>
Disbursements			
Current:			
Instruction:			
Regular	7,701,668	153,135	7,854,803
Special	1,107,320	268,540	1,375,860
Vocational	256,121	-	256,121
Other	792,272	-	792,272
Support Services:			
Pupil	710,969	495,657	1,206,626
Instructional Staff	916,619	30,205	946,824
Board of Education	599,210	-	599,210
Administration	1,401,514	2,712	1,404,226
Fiscal	475,102	14,657	489,759
Business	22,976	-	22,976
Operation and Maintenance of Plant	2,296,934	367,531	2,664,465
Pupil Transportation	1,426,505	-	1,426,505
Central	42,416	-	42,416
Operation of Food Services	3,026	841,339	844,365
Community Services	-	98,862	98,862
Extracurricular Activities	211,784	370,049	581,833
Capital Outlay	64,418	36,557	100,975
Debt Service:			
Principal Retirement	-	550,000	550,000
Interest and Fiscal Charges	-	304,515	304,515
<i>Total Disbursements</i>	<u>18,028,854</u>	<u>3,533,759</u>	<u>21,562,613</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,004,037)</u>	<u>(53,543)</u>	<u>(1,057,580)</u>
Other Financing Sources			
Sale of Capital Assets	1,298	-	1,298
Advances In	149,751	149,751	299,502
Advances Out	(149,751)	(149,751)	(299,502)
<i>Total Other Financing Sources</i>	<u>1,298</u>	<u>-</u>	<u>1,298</u>
<i>Net Change in Fund Balances</i>	<u>(1,002,739)</u>	<u>(53,543)</u>	<u>(1,056,282)</u>
<i>Fund Balances Beginning of Year, Restated</i>	<u>3,883,940</u>	<u>915,926</u>	<u>4,799,866</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,881,201</u>	<u>\$ 862,383</u>	<u>\$ 3,743,584</u>

See accompanying notes to the basic financial statements

Northern Local School District
*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds \$(1,056,282)

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

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

56,112

Change in Net Assets of Governmental Activities \$(1,000,170)

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Cash Receipts				
Property Taxes	\$ 4,231,796	\$ 3,918,797	\$ 3,918,797	\$ -
Intergovernmental	13,312,004	12,327,399	12,327,385	(14)
Interest	179,593	166,310	165,654	(656)
Tuition and Fees	511,793	473,939	473,939	-
Miscellaneous	149,664	138,594	139,042	448
<i>Total Cash Receipts</i>	<u>18,384,850</u>	<u>17,025,039</u>	<u>17,024,817</u>	<u>(222)</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	7,482,807	7,769,765	7,705,172	64,593
Special	1,109,034	1,122,546	1,113,857	8,689
Vocational	266,609	275,997	271,963	4,034
Other	775,083	794,420	794,284	136
Support Services:				
Pupil	732,773	743,859	729,518	14,341
Instructional Staff	891,414	924,979	923,645	1,334
Board of Education	584,528	603,664	600,177	3,487
Administration	1,362,709	1,406,282	1,407,115	(833)
Fiscal	469,513	484,042	478,592	5,450
Business	22,801	23,682	22,976	706
Operation and Maintenance of Plant	2,400,623	2,407,921	2,388,468	19,453
Pupil Transportation	1,461,149	1,447,798	1,436,656	11,142
Central	55,281	57,416	42,416	15,000
Operation of Food Services	2,489	2,585	3,026	(441)
Extracurricular Activities	203,579	211,441	211,784	(343)
Capital Outlay	62,023	64,418	64,418	-
<i>Total Cash Disbursements</i>	<u>17,882,415</u>	<u>18,340,815</u>	<u>18,194,067</u>	<u>146,748</u>
<i>Excess of Cash Receipts Over (Under)</i> <i>Cash Disbursements</i>	<u>502,435</u>	<u>(1,315,776)</u>	<u>(1,169,250)</u>	<u>146,526</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	1,296	1,298	2
Advances In	-	-	149,751	149,751
Advances Out	-	(149,751)	(149,751)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(148,455)</u>	<u>1,298</u>	<u>149,753</u>
<i>Net Change in Fund Balance</i>	502,435	(1,464,231)	(1,167,952)	296,279
<i>Fund Balance Beginning of Year</i>	3,660,387	3,660,387	3,660,387	-
Prior Year Encumbrances Appropriated	223,553	223,553	223,553	-
<i>Fund Balance End of Year</i>	<u>\$ 4,386,375</u>	<u>\$ 2,419,709</u>	<u>\$ 2,715,988</u>	<u>\$ 296,279</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
June 30, 2007

	Governmental Activity
	Internal Service
Assets	
Equity in Pooled Cash and Investments	\$ 472,849
<i>Total Assets</i>	\$ 472,849
 Net Assets	
Restricted for Claims	\$ 37,000
Unrestricted	435,849
	\$ 472,849

See accompanying notes to the basic financial statements

Northern Local School District
*Statement of Cash Receipts,
Cash Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2007*

	Governmental Activity
	Internal Service
Operating Receipts	
Charges for Services	\$ 2,197,068
<i>Total Operating Receipts</i>	2,197,068
Operating Disbursements	
Claims	2,140,956
<i>Total Operating Disbursements</i>	2,140,956
<i>Change in Net Assets</i>	56,112
<i>Net Assets Beginning of Year</i>	416,737
<i>Net Assets End of Year</i>	\$ 472,849

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 159,964	\$ 45,918
<i>Total Assets</i>	<u>\$ 159,964</u>	<u>\$ 45,918</u>
Net Assets		
Held in Trust for Scholarships	<u>\$ 159,964</u>	
Held for Student Activities		<u>\$ 45,918</u>

See accompanying notes to the basic financial statements

Northern Local School District
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
Additions	
Contributions	\$ 1,455
Interest	7,350
<i>Total Additions</i>	8,805
Deductions	
Scholarships Awarded	9,350
<i>Total Deductions</i>	9,350
Change in Net Assets	(545)
Net Assets - Beginning of Year	160,509
Net Assets - End of Year	\$ 159,964

See accompanying notes to the basic financial statements

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Description of the School District and Reporting Entity

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

The Northern Local School District of Perry County was established on June 10, 1968 by the State of Ohio as a public school system. The School District is a consolidated school district made up from three original existing high schools in the area, Glenford, Somerset, and Thornville, combined now to be Sheridan High School. The School District is located in three counties, Perry, Licking, and Fairfield. It serves an area of 173 square miles with an approximate enrollment of 2,364 students. The School District is staffed by 163 certificated employees and 102 non-certificated who provide services to 2,364 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one support service building.

Reporting Entity

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

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

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

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

B. Basis of Presentation

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

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

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

C. Fund Accounting

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

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

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

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

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

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

D. Cash and Investments

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

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, certificates of deposit, federal notes, and the Alliance Reserve Government Portfolio. Repurchase agreements and certificates of deposit are reported at cost.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts recorded by the School District during fiscal year 2007 amounted to \$177,856. Of this amount, the general fund recorded \$165,654, other governmental funds recorded \$4,852 and private purpose trust funds recorded \$7,350 in interest.

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

E. Budgetary Data

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

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

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

F. Capital Assets

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

G. Compensated Absences

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

H. Long-Term Liabilities

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

I. Net Assets

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

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

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Neither type of transaction occurred in fiscal year 2007. The School District did not have net assets restricted by enabling legislation during fiscal year 2007.

J. Interfund Activity

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

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

K. Fund Reserves / Designations

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

L. Operating Cash Receipts and Cash Disbursements

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

Note 3 – Compliance

Compliance

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

Contrary to Ohio Revised Code Section 5705.39, the School District had appropriations exceeding estimated resources at June 30, 2007 within the Title I, Title V, and Improving Teacher Quality non-major Special Revenue funds in the amounts of \$51,564, \$654 and \$5,622, respectively. In addition, the District did not properly amend estimated receipts throughout the year contrary to Ohio Revised Code Section 5705.36(A) (2).

Note 4 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

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

At June 30, 2007, the carrying amount of all District deposits was \$99,053. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2007 \$146,567 of the District's bank balance was covered by Federal Deposit Insurance.

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

At June 30, 2007, the School District had the following investments:

	Fair Value	Maturity in Years		Percent to Total
		Less than 1	1 to 3	
Certificates of Deposit	\$ 140,000	\$ 140,000	\$ -	3.24%
STAROhio	215,804	215,804	-	4.99%
Repurchase Agreements	1,679,975	1,679,975	-	38.86%
Federal Agency Securities	2,287,483	287,483	2,000,000	52.91%
Total	<u>\$4,323,262</u>	<u>\$2,323,262</u>	<u>\$2,000,000</u>	<u>100.00%</u>

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Concentration of Credit Risk The School 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 School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent for inventory. The tangible personal property tax is being phased out- the assessed percentage for all property including inventory for 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayer are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Perry, Licking and Fairfield County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The chart below provides a summary of the tax collections during the fiscal year ending June 30, 2007:

	2006 Second - Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$2,452,568	98.58%	\$2,284,712	94.74%
Public Utility Personal	24,555	0.99%	99,977	4.15%
Tangible Personal Property	10,820	0.43%	26,742	1.11%
Total	\$2,487,943	100.00%	\$2,411,431	100.00%
Full Tax rate per \$1,000 of assessed valuation	\$38.92		\$38.92	

Note 6 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Indiana Insurance for property, builder's risk, liability and fleet insurances.

Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$60,807,717
Accounts Receivable (\$5,000 deductible)	100,000
Equipment (\$250 deductible)	50,000
Extra Expense	300,000
Employee Dishonesty (\$10,000 deductible)	1,000,000
Fleet Insurance	2,000,000
Educational General Liability	
Per occurrence	1,000,000
Aggregate per year	3,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
Aggregate per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage in fiscal year 2007 from fiscal year 2006.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Workers Compensation

For fiscal year 2007, the School District participated in the Ohio School Board Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Gates McDonald, Inc. provides administration costs and actuarial services to the GRP.

C. Self Insurance

During the fiscal year ended June 30, 2007, employees of the School District were covered by the School District's medical/surgical and dental self-insurance Plan (the "Plan"). The School District contributed approximately 90% per month per employee to the Plan and employees authorized payroll withholdings to pay their share of the premium which was approximately 10% per month. The total premiums paid into the internal service fund of the School District was \$2,197,068 of which the School District paid \$1,995,725 while the employees were responsible for the remaining portion.

In addition, the Plan agreement requires that the School District set-aside funds for unexpected claims. The amount set-aside during fiscal year 2007 was \$37,000 and will be reviewed continually on an on-going basis.

A comparison of the internal service fund cash and investments to the actuarially-measured liability as of June 30, 2007 follows:

	2007	2006
Cash and investments	\$472,849	\$416,737
Claims liabilities at June 30	\$136,629	\$ 54,985

Note 7 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling 614-222-5853.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$402,486, \$353,514 and \$344,016, respectively; 100 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits.

Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent.

STRS Ohio is funded through investments and contributions made by members and their employers. Members contribute 10% of gross earnings. Employers contribute an additional 14% of members' annual salary into the Employers' Trust Fund.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

There are approximately 1,086 employers who contribute to STRS Ohio, including city and local school districts, county educational service centers, exempted village districts, vocational and technical schools, colleges and universities, county boards of mental retardation and developmental disabilities, as well as the state of Ohio.

During 2005–2006 (the latest information available), member contributions plus payments for purchased service credit, totaled \$997.8 million. The contributions from 1,086 employers, combined with service credit purchased by employers through retirement incentive plans, totaled \$1.34 billion. During this same period STRS Ohio experienced a net investment income of \$6.5 billion. As of June 30, 2005, STRS Ohio's net assets available for benefits were \$65.8 billion. Approximately \$42.7 billion of this amount has been placed in the Annuity and Pension Reserve Fund to pay benefits to more than 119,000 retired teachers and other beneficiaries.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,168,224, \$1,164,751 and \$1,120,846, respectively; 100 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

Note 8 - Postemployment Benefits

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$79,253 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$300,690,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

For fiscal year 2007, the minimum pay was established at \$35,800. For the School District, the amount contributed to fund health care benefits during the 2007 fiscal year equaled \$388,340.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Net health care costs for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$133.8 million. The number of participants eligible to receive benefits is approximately 59,500.

Note 9 – Lease Obligations

A. Capital Lease

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

Due to the School District reporting on the modified cash basis of accounting, the accompanying copiers and computers are not reflected as assets and liabilities within the accompanying financial statements.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2008	\$ 45,815	\$ 10,321
2009	43,598	5,701
2010	33,558	1,683
2011	<u>5,360</u>	<u>50</u>
Total	<u>\$128,331</u>	<u>\$17,755</u>

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 - Long Term Obligations

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

	Principle Outstanding June 30, 2006	Additions	Deletions	Principle Outstanding June 30, 2007	Due Within One Year
Government Activities					
School Facilities Construction Bonds					
Issued 10/01; Mature 10/23; 3.3%-5.00%	\$ 5,329,000	\$ -	\$ 230,000	\$ 5,099,000	\$ 235,000
PI TAN's mature 10/09					
Issued 11/98; 5.23%-5.65%	1,000,000	-	250,000	750,000	250,000
School District Energy Conversation Bonds					
Issued 09/99; Mature 10/08; 4.35%-4.50%	215,000	-	70,000	145,000	70,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 6,544,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 5,994,000</u>	<u>\$ 555,000</u>

The School Facilities Construction Bonds issued in fiscal year 2002 were adjusted to the actual balance per the related amortization table.

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

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

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Fiscal Year Ending June 30,	School Facilities Construction Bonds		P.I. Tax Anticipation Note	
	Issued in Fiscal Year 2002		Issued in Fiscal Year 1999	
	Principal	Interest	Principal	Interest
2008	\$ 235,000	\$ 236,260	\$ 250,000	\$ 41,625
2009	245,000	227,213	250,000	28,000
2010	89,819	382,594	250,000	14,125
2011	79,181	393,231	-	-
2012	255,000	217,413	-	-
2013-2017	1,460,000	903,628	-	-
2018-2022	1,855,000	507,750	-	-
2023 - 2024	880,000	66,500	-	-
Total	<u>\$5,099,000</u>	<u>\$2,934,589</u>	<u>\$750,000</u>	<u>\$83,750</u>

Fiscal Year Ending June 30,	School District Energy Conservation Bonds			
	Issued in Fiscal Year 2000		All Debt	
	Principal	Interest	Principal	Interest
2008	\$ 70,000	\$ 4,951	\$ 555,000	\$ 282,836
2009	75,000	1,688	570,000	256,901
2010	-	-	339,819	396,719
2011	-	-	79,181	393,231
2012	-	-	255,000	217,413
2013-2017	-	-	1,460,000	903,628
2018-2022	-	-	1,855,000	507,750
2023 - 2024	-	-	880,000	66,500
Total	<u>\$145,000</u>	<u>\$6,639</u>	<u>\$5,994,000</u>	<u>3,024,978</u>

Note 11 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative

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

The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. The SEOVEC constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to SEOVEC for fiscal year 2007 were \$54,777. Financial statements for SEOVEC can be obtained from their fiscal agent, the Southeastern Ohio Voluntary Education Cooperative, 221 North Columbus Road, P.O. Box 1250, Athens, Ohio 45701.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Metropolitan Educational Council

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

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

C. Central Ohio Special Education Regional Resource Center

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

There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. The School District did not make any contributions to COSERRC during fiscal year 2007. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

D. School Study Council of Ohio

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

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

School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2007, the Board consisted of fourteen members.

In fiscal year 2007, the School District did not make any contributions to the School Study Council of Ohio. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 – Insurance Purchasing Pools

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

The GRP’s business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan

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

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

Note 13 - Contingencies

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 14 - Set asides

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

The beginning set-aside cash balances have been restated to properly reflect the monies received from the Bureau of Workers Compensation and also the amounts contributed by the Board of Education.

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

	Textbooks	Capital Acquisition	Budget Stabilization	
			Designated	Reserved
Set-aside Reserve Balance as of June 30, 2006	(\$531,408)	(\$2,303,113)	\$311,774	\$59,192
Current Year Set-aside Requirement	349,122	349,122	-	-
Current Year Offsets	-	(442,487)	-	-
Qualifying Disbursements	(360,165)	(254,096)	-	-
Total	<u>(\$542,451)</u>	<u>(\$2,650,574)</u>	<u>\$311,774</u>	<u>\$59,192</u>
Balance carried forward to FY 2008	<u>(\$542,451)</u>	<u>(\$2,650,574)</u>	<u>\$311,774</u>	<u>\$59,192</u>

The School District had qualifying cash disbursements during the year that reduced the set-aside amount below zero for the textbooks reserve and this extra amount may be used to reduce the set-aside requirement for future fiscal years. The School District has a continuous permanent improvement levy of which those proceeds may be used to reduce the capital acquisition reserve below zero for future fiscal years. Therefore, these negative amounts are being presented as being carried forward to the next fiscal year.

Note 15 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding fiscal year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$165,213 for the General Fund.

Northern Local School District
Perry County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 16 – State School Funding

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

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

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

Note 17 – Fund Reclassification

In fiscal year 2007, the School District’s Permanent Improvement and Building Funds did not meet the major fund reporting criteria outlined in Governmental Accounting Standards Board (GASB) Statement No. 34. Since the Permanent Improvement and Building Fund are not expected to meet the minimum criteria in future periods, the School District has elected to reclassify the Permanent Improvement and Building Fund as an Other Governmental Fund. The impact of the fund reclassifications on beginning fund balance is presented below:

	Permanent Improvement Fund	Building Fund	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Fund Balance as of June 30, 2006	\$ 282,648	\$ 1,032	\$ 632,246
Fund Reclassifications:			
Building Fund	-	(1,032)	1,032
Permanent Improvement	(282,648)	-	282,648
Fund Balance as of July 1, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,926</u>

Note 18 – Contractual Commitments

As of June 30, 2007, the District entered a contractual commitment related to the installation of a new high school track. Below is a summary of the contractual commitment at June 30, 2007:

<u>Contractor</u>	<u>Contractual Cost Estimate</u>	<u>Total Costs At June 30</u>	<u>Remaining Contractual Commitment</u>
Layton Excavating	\$389,034	\$ -	\$ 389,034

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ -	\$ 56,539	\$ -	\$ 56,539
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	05-PU	10.553	134,327	-	134,327	-
National School Lunch Program	LL-P1,P4	10.555	260,392	-	260,392	-
<i>Total Child Nutrition Cluster</i>			<u>394,719</u>	<u>56,539</u>	<u>394,719</u>	<u>56,539</u>
Total U.S. Department of Agriculture			<u>394,719</u>	<u>56,539</u>	<u>394,719</u>	<u>56,539</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education-Grants to States	6B-SF	84.027	502,511	-	502,511	-
Special Education-Preschool Grants	N/A	84.173	-	16,676	-	16,676
<i>Special Education Cluster:</i>			<u>502,511</u>	<u>16,676</u>	<u>502,511</u>	<u>16,676</u>
Adult Education-State Grant Program	AB-S1	84.002	-	-	-	-
Title I Grants to Local Educational Agencies	C1-S1	84.010	270,393	-	264,227	-
Safe and Drug Free Schools and Communities-State Grants	DR-S1	84.186	8,128	-	8,128	-
State Grants for Innovative Programs	C2-S1	84.298	3,236	-	2,695	-
Education Technology State Grants	TJ-S1	84.318	5,996	-	3,458	-
Improving Teacher Quality State Grants	TR-S1	84.367	109,388	-	68,419	-
Total U.S. Department of Education			<u>899,652</u>	<u>16,676</u>	<u>849,438</u>	<u>16,676</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,294,371</u>	<u>\$ 73,215</u>	<u>\$ 1,244,157</u>	<u>\$ 73,215</u>

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

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

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

NOTE C – NONCASH AWARDS

The School District had the following federal receipts and disbursements which were received and disbursed by the Perry Hocking Educational Service Center on behalf of the School District for fiscal year 2007:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$16,676	\$16,676



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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Northern Local School District, Perry County, Ohio (the "School District") as of and for the fiscal year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 9, 2007, wherein we noted the School District reclassified funds not meeting major fund reporting criteria as described in Note 17. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

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Northern Local School District
Perry County
Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards
Page 2

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are attached in the accompanying Schedule of Findings as items 2007-001 through 2007-003.

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

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
November 9, 2007



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

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

Compliance

We have audited the compliance of Northern Local School District, Perry County, Ohio (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the fiscal year ended June 30, 2007. The School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Northern Local School District, Perry County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

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Internal Control over Compliance

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

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

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

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

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

Wilson, Shanna E Snow, Inc.

Newark, Ohio
November 9, 2007

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2007

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

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2007

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

Finding Number	2007-001
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Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles.

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

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

Finding Number	2007-002
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Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the following funds had appropriations exceeding estimated resources at June 30, 2007:

<u>Non-Major Funds</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Title I (572)	\$270,973	\$322,537	\$(51,564)
Title V (573)	3,325	3,979	(654)
Improving Teacher Quality (590)	109,393	115,015	(5,622)

The School District appropriated to repay advances used to cover deficits at fiscal year end and did not certify additional revenues with the County Budget Commission.

We recommend that the School District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the School District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2007

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

Finding Number	2007-003
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Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The School District amended appropriations within the Title I (fund 572), Title V (fund 573), and Improving Teacher Quality (fund 590) funds and did not certify the additional revenue with the County Budget Commission. Thus, appropriations exceeded estimated revenues within these funds.

We recommend that the School District monitor appropriations and estimated resources to determine that if adjustments to the original budgeted amounts occur that the appropriations are within estimated resources after any additional modifications are made.

3. FINDINGS FOR FEDERAL AWARDS

None.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2007

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-1	Ohio Administrative Code Section 117-2-03(B) requires that the School District prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	No	The School District prepared its financial statements in accordance with the GASB 34 format on a modified cash basis. Re-issued as finding 2007-001.
2006-2	Ohio revised Code Section 5705.10 negative cash fund balances.	Yes	N/A.

**NORTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.505**

JUNE 30, 2007

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-001	Preparation of annual financial report in accordance with GAAP. The School District will continue to prepare the financial statements in accordance with the GASB 34 format on the modified cash basis of accounting and not in accordance with GAAP.	N/A	Liz Arnold, Treasurer
2007-002	Ensure appropriations do not exceed estimates resources during and at the end of the fiscal year.	This process will be implemented for fiscal year 2008.	Liz Arnold, Treasurer
2007-003	Obtain increased or decreased amended certificates to help insure appropriations do not exceed estimated resources during or at the end of the year.	This process will be implemented for fiscal year 2008.	Liz Arnold, Treasurer



Mary Taylor, CPA
Auditor of State

NORTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2007**