



**Mary Taylor, CPA**  
Auditor of State



**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 5, 2010

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The management's discussion and analysis of Northmor Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities increased \$20,131,169 which represents a 795.32% increase from 2008.
- General revenues accounted for \$30,759,261 in revenue or 92.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,402,928 or 7.25% of total revenues of \$33,162,189.
- The District had \$13,031,020 in expenses related to governmental activities; \$2,402,928 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$30,759,261 were adequate to provide for these programs.
- The District's three major governmental funds are the general fund, bond retirement fund and classroom facilities maintenance fund. The general fund had \$10,453,337 in revenues and \$11,167,049 in expenditures. During fiscal year 2009, the general fund's fund balance decreased \$713,712 from \$1,522,150 to \$808,438.
- The bond retirement fund had \$15,545,934 in revenues and other financing sources and \$15,270,611 in expenditures. During fiscal year 2009, the bond retirement fund's fund balance increased to a balance of \$275,323.
- The classroom facilities fund had \$2,176,535 in revenues and \$1,549,276 in expenditures. During fiscal year 2009, the classrooms facilities fund's fund balance increased \$627,259 from \$12,012,251 to \$12,639,510.

**Using these Basic Financial Statements**

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and classroom facilities fund are the most significant funds and are considered major funds.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, and classroom facilities fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government 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. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 40,315,874	\$ 21,519,210
Capital assets, net	<u>3,128,166</u>	<u>1,483,626</u>
Total assets	<u>43,444,040</u>	<u>23,002,836</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,945,096	5,075,862
Long-term liabilities	<u>15,836,570</u>	<u>15,395,769</u>
Total liabilities	<u>20,781,666</u>	<u>20,471,631</u>
<b><u>Net Assets</u></b>		
Invested in capital assets assets, net of related debt	1,521,354	1,483,626
Restricted	20,786,166	148,745
Unrestricted	<u>354,854</u>	<u>898,834</u>
Total net assets	<u>\$ 22,662,374</u>	<u>\$ 2,531,205</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$22,662,374. At fiscal year-end, unrestricted net assets were \$354,854.

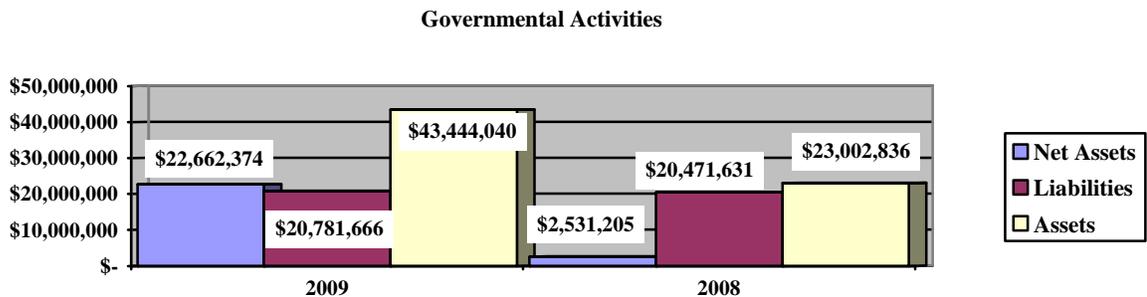
**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

At fiscal year-end, capital assets represented 7.20% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Invested in capital assets, net of related debt at June 30, 2009, were \$1,521,354. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$20,786,166, represents resources that are subject to external restriction on how they may be used. Of this total, \$20,299,046 is restricted for capital projects. This is due to the District's participation in the Ohio School Facilities Commission (OSFC) building project. The remaining balance of unrestricted net assets is \$354,854.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2009 and 2008:



The table below shows the change in net assets for fiscal year 2009 and 2008.

	<b>Change in Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,048,030	\$ 1,057,067
Operating grants and contributions	1,336,020	1,334,993
Capital grants and contributions	18,878	9,247
General revenues:		
Property taxes	3,450,303	3,302,319
Income taxes	1,367,847	1,615,567
Grants and entitlements	5,229,621	5,019,109
Grants and entitlements restricted for OSFC	20,411,919	-
Investment earnings	271,860	149,856
Other	27,711	13,867
<b>Total revenues</b>	<b>33,162,189</b>	<b>12,502,025</b>

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

	<b>Change in Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,698,425	\$ 4,524,037
Special	1,445,879	1,287,957
Vocational	269,829	313,023
Other	1,026,558	924,231
Support services:		
Pupil	364,053	416,630
Instructional staff	654,899	608,876
Board of education	35,883	16,289
Administration	1,069,384	990,950
Fiscal	446,836	408,777
Operations and maintenance	933,755	851,840
Pupil transportation	694,101	780,748
Central	5,157	13,212
Operations of non-instructional services:		
Food service operations	432,889	383,773
Extracurricular activities	300,172	288,736
Interest and fiscal charges	<u>653,200</u>	<u>53,630</u>
Total expenses	<u>13,031,020</u>	<u>11,862,709</u>
Change in net assets	20,131,169	639,316
Net assets at beginning of year	<u>2,531,205</u>	<u>1,891,889</u>
Net assets at end of year	<u>\$ 22,662,374</u>	<u>\$ 2,531,205</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$20,131,169. Total governmental expenses of \$13,031,020 were offset by program revenues of \$2,402,928 and general revenues of \$30,759,261. General revenues include grants that are restricted for the OSFC building project. This project will increase the amount of net assets for the District but will be restricted for capital projects. Program revenues supported 18.44% of the total governmental expenses.

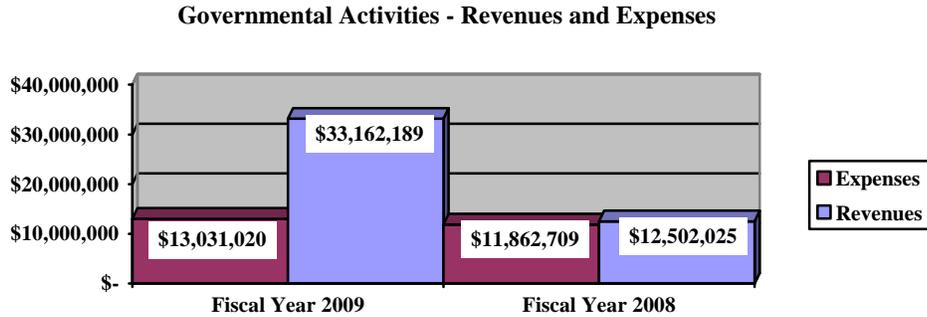
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted and restricted grants and entitlements. These revenue sources represent 91.85% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,440,691 or 57.10% of total governmental expenses for fiscal year 2009.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

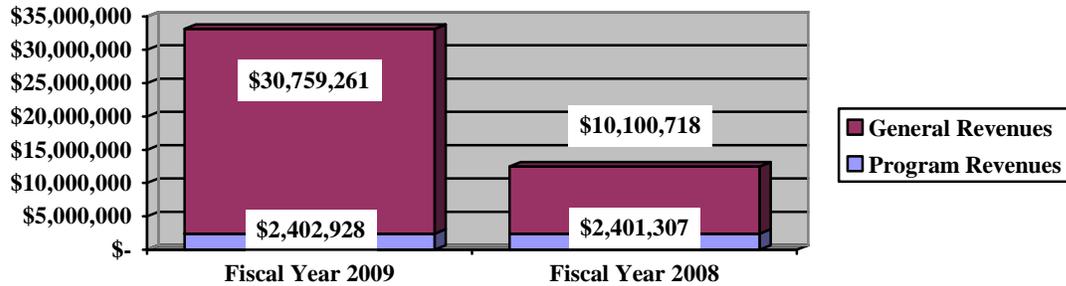
	<b>Governmental Activities</b>			
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,698,425	\$ 3,883,119	\$ 4,524,037	\$ 3,657,226
Special	1,445,879	779,488	1,287,957	629,467
Vocational	269,829	211,022	313,023	237,226
Other	1,026,558	1,026,558	924,231	924,231
Support services:				
Pupil	364,053	232,519	416,630	274,810
Instructional staff	654,899	547,052	608,876	525,248
Board of education	35,883	35,883	16,289	16,289
Administration	1,069,384	1,007,145	990,950	986,726
Fiscal	446,836	446,836	408,777	408,777
Operations and maintenance	933,755	933,491	851,840	845,207
Pupil transportation	694,101	646,278	780,748	749,817
Central	5,157	157	13,212	2,684
Operations of non-instructional services:				
Food service operations	432,889	14,766	383,773	(47,183)
Extracurricular activities	300,172	210,578	288,736	197,247
Interest and fiscal charges	653,200	653,200	53,630	53,630
<b>Total expenses</b>	<u>\$ 13,031,020</u>	<u>\$ 10,628,092</u>	<u>\$ 11,862,709</u>	<u>\$ 9,461,402</u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 79.30% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.56%. The District's taxpayers and grants and entitlements, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$16,405,608, which is higher than last year's total of \$16,122,651. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (decrease)	Percentage Change
General	\$ 808,438	\$ 1,522,150	\$ (713,712)	(46.89) %
Bond retirement	275,323	-	275,323	100.00 %
Classroom facilities	12,639,510	12,012,251	627,259	5.22 %
Other governmental	2,682,337	2,588,250	94,087	3.64 %
<b>Total</b>	<b>\$ 16,405,608</b>	<b>\$ 16,122,651</b>	<b>\$ 282,957</b>	<b>1.76 %</b>

**General Fund**

The District's general fund balance decreased \$713,712. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,992,060	\$ 4,892,212	\$ (900,152)	(18.40) %
Tuition	688,486	680,293	8,193	1.20 %
Earnings on investments	32,430	78,451	(46,021)	(58.66) %
Intergovernmental	5,681,231	5,474,981	206,250	3.77 %
Other revenues	<u>59,130</u>	<u>47,165</u>	<u>11,965</u>	25.37 %
 Total	 <u>\$ 10,453,337</u>	 <u>\$ 11,173,102</u>	 <u>\$ (719,765)</u>	 (6.44) %
<b><u>Expenditures</u></b>				
Instruction	\$ 7,027,745	\$ 6,501,703	\$ 526,042	8.09 %
Support services	3,897,921	3,714,082	183,839	4.95 %
Extracurricular activities	201,300	195,451	5,849	2.99 %
Facilities acquisition and construction	<u>40,083</u>	<u>-</u>	<u>40,083</u>	100.00 %
 Total	 <u>\$ 11,167,049</u>	 <u>\$ 10,411,236</u>	 <u>\$ 755,813</u>	 7.26 %

Tax revenue decreased \$900,152 or 18.40%. This decrease was primarily attributable to two reasons. First, there was an approximate \$130,000 variance in the amount of tax advance that was available to the District from the county auditors at June 30, 2009 versus June 30, 2008. This variance resulted in less tax revenue being reported in fiscal year 2009. The amount of tax advances available from the county auditors can vary depending upon when tax bills are mailed. Second, is due to the phasing out of collection of the tangible personal property tax. Earnings on investments decreased \$46,021 or 58.66% from the prior year. This decrease can be accredited to the decrease in interest rates on the District's investments. All other revenues remained comparable to 2009.

Instruction expenditures increased for anticipated salary/wage increases and fringe benefit (health insurance) increases. Additionally, support services experienced increases due to inflation in utility and fuel costs. All other expenditure line items shown are deemed immaterial amounts relative to total expenditures and they do not warrant further analysis.

***Bond Retirement Fund***

The bond retirement fund had \$15,545,934 in revenues and other financing sources during fiscal year 2009. The bond retirement fund had \$15,270,611 in expenditures. During fiscal year 2009, the bond retirement fund's fund balance increased to a fund balance of \$275,323. The increase in fund balance is due to the issuance of bonds related to the Ohio School Facilities construction project.

***Classroom Facilities Fund***

The classroom facilities fund had \$2,176,535 in revenues during fiscal year 2009. The classroom facilities fund had \$1,549,276 in expenditures. During fiscal year 2009, the classroom facilities fund's fund balance increased \$627,259 from a fund balance of \$12,012,251 to \$12,639,510. The increase in fund balance is due to the receipt of intergovernmental revenues related to the Ohio School Facilities construction project.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2009, the District amended its general fund once. For the general fund, original budgeted revenues and other financing sources were \$10,712,742 and final budgeted revenues and other financing sources were \$10,976,094. Actual revenues and other financing sources for fiscal year 2009 were \$10,831,281. This represents a \$144,813 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures) of \$10,607,432 were increased to \$11,304,326 in the final appropriations. The actual budget basis expenditures for fiscal year 2009 totaled \$11,076,379, which is \$227,947 lower than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the District had \$3,128,166 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 139,000	\$ 139,000
Land improvements	208,099	211,003
Building and improvements	805,227	834,177
Furniture and equipment	116,717	134,280
Vehicles	252,311	165,166
Construction in progress	1,606,812	-
<b>Total</b>	<b>\$ 3,128,166</b>	<b>\$ 1,483,626</b>

The overall increase in capital assets of \$1,644,540 is due to capital outlays of \$1,759,913 exceeding depreciation expense of \$115,373 in the fiscal year.

See Note 7 to the basic financial statements for additional information.

***Debt Administration***

At June 30, 2009, the District had \$14,531,019 in general obligation bonds outstanding. Of this total, \$80,000 is due within one year and \$14,451,019 is due within more than one year.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The following table summarizes the bond obligations outstanding at June 30, 2009 and 2008.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Bond anticipation note	\$ -	\$ 14,500,000
Current interest bonds - Series 2008	14,175,000	-
Capital appreciation bonds - Series 2008	325,000	-
Accreted interest	<u>31,019</u>	<u>-</u>
Total	<u>\$ 14,531,019</u>	<u>\$ 14,500,000</u>

See Note 8 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District has been able to use a very conservative financial approach. The District operates at the 20 mill floor and has an inside millage rate of 5.1. The District does benefit from a 1% income tax that was passed in 1992. There have been no requests by the District to its voters since 1992.

The Board and administration closely monitor expenditures to stay in line with the five-year financial forecast. Cuts to operating budgets and cuts in staffing throughout the District have been employed to avoid the need to seek additional money from the community. The Board and the administration have continued to monitor the State funding issue for schools.

The Ohio School Facility Commission currently places the District at 226 on their equity list. The District has been selected by the OSFC for funding. The District passed its proposed bond issue on March 4, 2008. The District anticipates opening a K-12 campus in the fall of 2011.

The District continues to closely monitor income amounts. If the economy improves it is hoped that the income tax will surpass the current growth rate of  $\frac{1}{4}$  of 1% per year. This revenue growth will have to be factored with the inevitability of rising operating costs in the future. The five-year forecast anticipates that the District will be able to stay in the black in the immediate future with careful financial budgeting. The goal of the District remains to provide the best possible education for the dollars available.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Tina Gabler, Treasurer, Northmor Local School District, 5247 Co. Rd. 29, Galion, Ohio 44833.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 2,201,928
Investments . . . . .	14,681,526
Receivables:	
Taxes . . . . .	4,674,764
Intergovernmental . . . . .	18,547,535
Accrued interest. . . . .	16,082
Prepayments . . . . .	15,357
Materials and supplies inventory. . . . .	7,942
Unamortized bond issuance costs . . . . .	170,740
Capital assets:	
Land. . . . .	139,000
Construction in progress. . . . .	1,606,812
Depreciable capital assets, net. . . . .	1,382,354
Capital assets, net . . . . .	3,128,166
 Total assets. . . . .	 43,444,040
 <b>Liabilities:</b>	
Contracts payable. . . . .	424,341
Accrued wages and benefits . . . . .	1,024,294
Pension obligation payable. . . . .	239,674
Intergovernmental payable . . . . .	85,743
Unearned revenue . . . . .	3,062,704
Accrued interest payable . . . . .	108,340
Long-term liabilities:	
Due within one year. . . . .	184,643
Due in more than one year . . . . .	15,651,927
 Total liabilities . . . . .	 20,781,666
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	1,521,354
Restricted for:	
Debt service . . . . .	358,126
Capital projects . . . . .	20,299,046
Classroom facilities maintenance . . . . .	36,075
Locally funded programs . . . . .	977
State funded programs. . . . .	14,527
Federally funded programs . . . . .	24,133
Student activities. . . . .	38,574
Other purposes. . . . .	14,708
Unrestricted . . . . .	354,854
 Total net assets . . . . .	 \$ 22,662,374

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,698,425	\$ 704,356	\$ 110,950	\$ -	\$ (3,883,119)
Special . . . . .	1,445,879	15,285	651,106	-	(779,488)
Vocational . . . . .	269,829	-	58,807	-	(211,022)
Other . . . . .	1,026,558	-	-	-	(1,026,558)
Support services:					
Pupil. . . . .	364,053	-	131,534	-	(232,519)
Instructional staff . . . . .	654,899	-	107,847	-	(547,052)
Board of education . . . . .	35,883	-	-	-	(35,883)
Administration. . . . .	1,069,384	-	62,239	-	(1,007,145)
Fiscal. . . . .	446,836	-	-	-	(446,836)
Operations and maintenance . . . . .	933,755	264	-	-	(933,491)
Pupil transportation . . . . .	694,101	-	28,945	18,878	(646,278)
Central . . . . .	5,157	-	5,000	-	(157)
Operation of non-instructional services:					
Food service operations . . . . .	432,889	238,531	179,592	-	(14,766)
Extracurricular activities. . . . .	300,172	89,594	-	-	(210,578)
Interest and fiscal charges . . . . .	653,200	-	-	-	(653,200)
Total governmental activities . . . . .	<u>\$ 13,031,020</u>	<u>\$ 1,048,030</u>	<u>\$ 1,336,020</u>	<u>\$ 18,878</u>	<u>(10,628,092)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,615,497
Special revenue . . . . .	37,096
Debt service. . . . .	721,240
Capital projects . . . . .	76,470
Income taxes levied for:	
General purposes. . . . .	1,367,847
Grants and entitlements not restricted to specific programs. . . . .	
	5,229,621
Grants and entitlements restricted for	
Ohio School Facilities Commission . . . . .	20,411,919
Investment earnings . . . . .	271,860
Miscellaneous . . . . .	27,711
Total general revenues. . . . .	<u>30,759,261</u>
Change in net assets . . . . .	20,131,169
<b>Net assets at beginning of year . . . . .</b>	<u>2,531,205</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 22,662,374</u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 1,001,099	\$ 100,376	\$ 891,769	\$ 194,096	\$ 2,187,340
Investments . . . . .	-	-	12,166,654	2,514,872	14,681,526
Receivables:					
Taxes. . . . .	3,505,128	1,010,583	-	159,053	4,674,764
Intergovernmental . . . . .	-	-	18,450,943	96,592	18,547,535
Accrued interest . . . . .	40	-	16,042	-	16,082
Prepayments . . . . .	15,357	-	-	-	15,357
Materials and supplies inventory . . . . .	2,180	-	-	5,762	7,942
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	14,588	-	-	-	14,588
<b>Total assets . . . . .</b>	<b><u>\$ 4,538,392</u></b>	<b><u>\$ 1,110,959</u></b>	<b><u>\$ 31,525,408</u></b>	<b><u>\$ 2,970,375</u></b>	<b><u>\$ 40,145,134</u></b>
<b>Liabilities:</b>					
Contracts payable . . . . .	\$ -	\$ -	\$ 418,913	\$ 5,428	\$ 424,341
Accrued wages and benefits . . . . .	906,363	-	-	117,931	1,024,294
Compensated absences payable . . . . .	61,271	-	-	-	61,271
Pension obligation payable. . . . .	215,757	-	-	23,917	239,674
Intergovernmental payable. . . . .	76,531	-	-	9,212	85,743
Deferred revenue. . . . .	278,658	82,803	18,466,985	13,053	18,841,499
Unearned revenue . . . . .	2,191,374	752,833	-	118,497	3,062,704
<b>Total liabilities . . . . .</b>	<b><u>3,729,954</u></b>	<b><u>835,636</u></b>	<b><u>18,885,898</u></b>	<b><u>288,038</u></b>	<b><u>23,739,526</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	555	-	-	49	604
Reserved for materials and supplies inventory. . . . .	2,180	-	-	5,762	7,942
Reserved for prepayments . . . . .	15,357	-	-	-	15,357
Reserved for debt service . . . . .	-	100,376	-	-	100,376
Reserved for property tax unavailable for appropriation . . . . .	568,626	174,947	-	27,503	771,076
Reserved for school bus purchase . . . . .	12,923	-	-	-	12,923
Reserved for textbooks. . . . .	1,665	-	-	-	1,665
Unreserved, undesignated, reported in:					
General fund . . . . .	207,132	-	-	-	207,132
Special revenue funds. . . . .	-	-	-	99,471	99,471
Capital projects funds. . . . .	-	-	12,639,510	2,549,552	15,189,062
<b>Total fund balances. . . . .</b>	<b><u>808,438</u></b>	<b><u>275,323</u></b>	<b><u>12,639,510</u></b>	<b><u>2,682,337</u></b>	<b><u>16,405,608</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 4,538,392</u></b>	<b><u>\$ 1,110,959</u></b>	<b><u>\$ 31,525,408</u></b>	<b><u>\$ 2,970,375</u></b>	<b><u>\$ 40,145,134</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009**

<b>Total governmental fund balances</b>		<b>\$ 16,405,608</b>
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,128,166
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 374,482	
Intergovernmental receivable	18,450,943	
Accrued interest receivable	<u>16,074</u>	
Total		18,841,499
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(108,340)
Unamortized bond issuance costs are not recognized in the funds		170,740
Unamortized premiums on bond issuance is not recognized in the funds.		(395,438)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(848,842)	
General obligation bonds payable	<u>(14,531,019)</u>	
Total		<u>(15,379,861)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 22,662,374</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,624,213	\$ 638,437	\$ -	\$ 100,513	\$ 3,363,163
Income taxes . . . . .	1,367,847	-	-	-	1,367,847
Tuition . . . . .	688,486	-	-	-	688,486
Earnings on investments . . . . .	32,430	-	215,559	48,428	296,417
Charges for services . . . . .	-	-	-	238,531	238,531
Extracurricular . . . . .	-	-	-	89,594	89,594
Classroom materials and fees . . . . .	31,155	-	-	-	31,155
Rental income . . . . .	264	-	-	-	264
Other local revenues . . . . .	27,711	-	-	-	27,711
Intergovernmental - state . . . . .	5,681,231	3	1,960,976	35,807	7,678,017
Intergovernmental - federal . . . . .	-	-	-	867,478	867,478
Total revenues . . . . .	<u>10,453,337</u>	<u>638,440</u>	<u>2,176,535</u>	<u>1,380,351</u>	<u>14,648,663</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,549,526	-	-	107,542	4,657,068
Special . . . . .	1,163,958	-	-	301,184	1,465,142
Vocational . . . . .	287,703	-	-	4,798	292,501
Other . . . . .	1,026,558	-	-	-	1,026,558
Support services:					
Pupil . . . . .	254,769	-	-	94,109	348,878
Instructional staff . . . . .	525,610	-	-	127,015	652,625
Board of education . . . . .	35,883	-	-	-	35,883
Administration . . . . .	986,398	-	-	70,862	1,057,260
Fiscal . . . . .	420,213	20,344	-	2,042	442,599
Operations and maintenance . . . . .	894,281	-	-	-	894,281
Pupil transportation . . . . .	780,639	-	-	10,991	791,630
Central . . . . .	128	-	-	5,029	5,157
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	425,423	425,423
Extracurricular activities . . . . .	201,300	-	-	79,733	281,033
Facilities acquisition and construction . . . . .	40,083	-	1,549,276	57,536	1,646,895
Debt service:					
Principal retirement . . . . .	-	14,500,000	-	-	14,500,000
Interest and fiscal charges . . . . .	-	574,322	-	-	574,322
Bond issuance costs . . . . .	-	175,945	-	-	175,945
Total expenditures . . . . .	<u>11,167,049</u>	<u>15,270,611</u>	<u>1,549,276</u>	<u>1,286,264</u>	<u>29,273,200</u>
Excess of revenues over (under) expenditures . . . . .	<u>(713,712)</u>	<u>(14,632,171)</u>	<u>627,259</u>	<u>94,087</u>	<u>(14,624,537)</u>
<b>Other financing sources:</b>					
Sale of bonds . . . . .	-	14,500,000	-	-	14,500,000
Premium on sale of bonds . . . . .	-	407,494	-	-	407,494
Total other financing sources . . . . .	<u>-</u>	<u>14,907,494</u>	<u>-</u>	<u>-</u>	<u>14,907,494</u>
Net change in fund balances . . . . .	(713,712)	275,323	627,259	94,087	282,957
<b>Fund balances at beginning of year . . . . .</b>	<u>1,522,150</u>	<u>-</u>	<u>12,012,251</u>	<u>2,588,250</u>	<u>16,122,651</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 808,438</u>	<u>\$ 275,323</u>	<u>\$ 12,639,510</u>	<u>\$ 2,682,337</u>	<u>\$ 16,405,608</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 282,957</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 1,759,913	
Current year depreciation	<u>(115,373)</u>	
Total		1,644,540
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	87,140	
Intergovernmental revenue	18,450,943	
Earnings on investments	<u>(24,557)</u>	
Total		18,513,526
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Increase in accrued interest payable	(54,710)	
Accreted interest on capital appreciation bonds	(31,019)	
Amortization on bond premiums	12,056	
Amortization on bond issuance costs	<u>(5,205)</u>	
Total		(78,878)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(407,494)
Bond issuances are recorded as other financing sources in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(14,500,000)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		175,945
Principal payment on notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		14,500,000
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>573</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ 20,131,169</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,697,594	\$ 2,763,908	\$ 2,763,908	\$ -
Income taxes . . . . .	1,567,496	1,606,030	1,606,030	-
Tuition. . . . .	710,958	728,436	688,486	(39,950)
Earnings on investments. . . . .	35,136	36,000	32,496	(3,504)
Classroom materials and fees . . . . .	33,184	34,000	31,155	(2,845)
Rental income. . . . .	488	500	264	(236)
Other local revenues . . . . .	6,539	6,700	27,039	20,339
Intergovernmental - state . . . . .	5,660,691	5,799,848	5,681,231	(118,617)
Total revenues . . . . .	<u>10,712,086</u>	<u>10,975,422</u>	<u>10,830,609</u>	<u>(144,813)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,389,889	4,522,458	4,476,411	46,047
Special. . . . .	995,542	1,083,967	1,166,933	(82,966)
Vocational. . . . .	292,161	299,719	296,709	3,010
Other. . . . .	942,717	1,060,717	1,026,558	34,159
Support services:				
Pupil. . . . .	248,411	252,436	253,940	(1,504)
Instructional staff . . . . .	497,968	542,587	526,616	15,971
Board of education . . . . .	21,042	40,633	35,724	4,909
Administration. . . . .	964,822	1,005,672	982,376	23,296
Fiscal . . . . .	418,311	444,947	422,674	22,273
Operations and maintenance. . . . .	893,275	1,003,533	861,233	142,300
Pupil transportation . . . . .	741,026	801,707	786,772	14,935
Central. . . . .	2,131	2,131	278	1,853
Extracurricular activities. . . . .	200,137	202,819	200,072	2,747
Facilities acquisition and construction. . . . .	-	41,000	40,083	917
Total expenditures . . . . .	<u>10,607,432</u>	<u>11,304,326</u>	<u>11,076,379</u>	<u>227,947</u>
Excess of revenues over (under) expenditures. . . . .	<u>104,654</u>	<u>(328,904)</u>	<u>(245,770)</u>	<u>83,134</u>
<b>Other financing sources:</b>				
Sale of assets. . . . .	656	672	672	-
Total other financing sources . . . . .	<u>656</u>	<u>672</u>	<u>672</u>	<u>-</u>
Net change in fund balance . . . . .	105,310	(328,232)	(245,098)	83,134
<b>Fund balance at beginning of year. . . . .</b>	<b>1,207,905</b>	<b>1,207,905</b>	<b>1,207,905</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>36,814</b>	<b>36,814</b>	<b>36,814</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,350,029</u></b>	<b><u>\$ 916,487</u></b>	<b><u>\$ 999,621</u></b>	<b><u>\$ 83,134</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 7,236	\$ 15,012
Total assets. . . . .	7,236	\$ 15,012
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 15,012
Total liabilities . . . . .	-	\$ 15,012
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	7,236	
Total net assets . . . . .	\$ 7,236	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 368
Total additions. . . . .	368
<b>Deductions:</b>	
Scholarships awarded . . . . .	800
Change in net assets . . . . .	(432)
<b>Net assets at beginning of year . . . . .</b>	<b>7,668</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 7,236</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Northmor Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 431<sup>st</sup> largest by total enrollment among the 922 public and community school districts in the State. Current enrollment as of June 30, 2009 was 1,185. The District employed 92 certified employees and 47 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG 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. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2009, the District paid \$28,075 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

The Work Force Preparation Regional Council of Governments

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

*RELATED ENTITY*

Perry Cook Memorial Library (the "Library")

The District appoints the governing board of the Library, however, the District cannot influence the Library's operation nor does the Library represent a potential financial benefit for or burden on the District. The District serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the District must place the levy on the ballot. The Library may not issue debt. The Library did not receive any funding from the District during 2009.

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the 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. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from income taxes is recognized in the period in which the income is earned (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, is not recognized in governmental funds.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination. The Morrow County Commissioners waived this requirement for 2009.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting for the general fund.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, US Treasury Bill, discounted notes, and a non-negotiable certificate of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposits, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$32,430, which includes \$6,766 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	45 years
Furniture and equipment	5 - 15 years
Vehicles	6 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. Long-term interfund loans that will not be repaid within the next fiscal year are classified as "advances to/from" and are shown as reservations of fund balances on the balance sheet because they are not spendable, available resources. The District did not have any "interfund receivables/payables" or long-term advances receivable and payable at June 30, 2009.

**J. Compensated Absences**

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or older with ten or more years of service or all employees with twenty or more years of service regardless of their age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, textbooks, school bus purchase and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and textbooks/instructional materials, and the uniform school supplies fund (a nonmajor governmental fund).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. 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 that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
EMIS	\$ 37
Poverty assistance	89
Title VI-B	2,134
Title I	44,095
Title II-A	15,000

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits 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 may be deposited or invested in the following securities:

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$2,178,997. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,265,421 of the District's bank balance of \$2,286,481 was exposed to custodial risk as discussed below, while \$1,021,060 was covered by the FDIC.

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLB	\$ 1,009,490	\$ 1,009,490	\$ -
FHLB discount notes	4,411,322	1,918,728	2,492,594
Freddie Mac discount notes	3,797,160	2,798,892	998,268
Fannie Mae discount notes	4,717,328	2,971,807	1,745,521
U.S. Treasury bill	749,205	749,205	-
STAR Ohio	42,000	42,000	-
Total	<u>\$ 14,726,505</u>	<u>\$ 9,490,122</u>	<u>\$ 5,236,383</u>

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

*Credit Risk:* The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,009,490	6.85
FHLB discount notes	4,411,322	29.96
Freddie Mac discount notes	3,797,160	25.78
Fannie Mae discount notes	4,717,328	32.03
U.S. Treasury bill	749,205	5.09
STAR Ohio	42,000	0.29
Total	<u>\$ 14,726,505</u>	<u>100.00</u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,178,997
Investments	14,726,505
Cash on hand	<u>200</u>
Total	<u>\$ 16,905,702</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 16,883,454
Private-purpose trust funds	7,236
Agency funds	<u>15,012</u>
Total	<u>\$ 16,905,702</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 5 - PROPERTY TAXES - (Continued)**

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

The District received property taxes from Morrow, Richland, and Marion County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$568,626 in the general fund, \$174,947 in the bond retirement debt service fund, \$26,994 in the permanent improvement fund (a nonmajor governmental fund) and \$509 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$698,168 in the general fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 136,239,580	93.56	\$ 144,137,800	94.66
Public utility personal	8,131,570	5.58	7,512,820	4.93
Tangible personal property	<u>1,245,600</u>	<u>0.86</u>	<u>622,800</u>	<u>0.41</u>
Total	<u>\$ 145,616,750</u>	<u>100.00</u>	<u>\$ 152,273,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$32.10		\$34.54

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 4,674,764
Accrued interest	16,082
Intergovernmental	<u>18,547,535</u>
 Total	 <u>\$23,238,381</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio School Facilities Commission intergovernmental receivable of \$18,450,943, which will be collected through the length of the project.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/09</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,000	\$ -	\$ -	\$ 139,000
Construction in progress	<u>-</u>	<u>1,606,812</u>	<u>-</u>	<u>1,606,812</u>
Total capital assets, not being depreciated	<u>139,000</u>	<u>1,606,812</u>	<u>-</u>	<u>1,745,812</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	396,215	11,992	-	408,207
Buildings and improvements	2,568,613	-	-	2,568,613
Furniture and equipment	829,203	3,509	-	832,712
Vehicles	<u>946,439</u>	<u>137,600</u>	<u>-</u>	<u>1,084,039</u>
Total capital assets, being depreciated	<u>4,740,470</u>	<u>153,101</u>	<u>-</u>	<u>4,893,571</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(185,212)	(14,896)	-	(200,108)
Buildings and improvements	(1,734,436)	(28,950)	-	(1,763,386)
Furniture and equipment	(694,923)	(21,072)	-	(715,995)
Vehicles	<u>(781,273)</u>	<u>(50,455)</u>	<u>-</u>	<u>(831,728)</u>
Total accumulated depreciation	<u>(3,395,844)</u>	<u>(115,373)</u>	<u>-</u>	<u>(3,511,217)</u>
Governmental activities capital assets, net	<u>\$ 1,483,626</u>	<u>\$ 1,644,540</u>	<u>\$ -</u>	<u>\$ 3,128,166</u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 7 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 22,841
Special	1,985
<u>Support services:</u>	
Administration	4,681
Fiscal	4,420
Operations and maintenance	11,947
Pupil transportation	46,496
Extracurricular activities	19,139
Food service operations	<u>3,864</u>
Total depreciation expense	<u>\$115,373</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

<b>Governmental activities:</b>	Balance Outstanding <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2009</u>	Amounts Due in <u>One Year</u>
Bond anticipation note payable	\$ 14,500,000	\$ -	\$ (14,500,000)	\$ -	\$ -
General obligation bonds	-	14,531,019	-	14,531,019	80,000
Compensated absences	<u>895,769</u>	<u>131,448</u>	<u>(117,104)</u>	<u>910,113</u>	<u>104,643</u>
Total governmental activities	<u>\$ 15,395,769</u>	<u>\$ 14,662,467</u>	<u>\$ (14,617,104)</u>	<u>\$ 15,441,132</u>	<u>\$ 184,643</u>
			Add: Unamortized premium on bonds	<u>395,438</u>	
			Total	<u>\$ 15,836,570</u>	

B. General Obligation Bonds - Series 2008: On August, 14, 2008, the District issued Series 2008 construction bonds to finance building construction and improvements in accordance with the terms of a facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of one new facility to house K-12 and to demolish Iberia and Johnsville elementary schools as well as Northmor Jr/Sr High School. The Series 2008 Construction bonds consist of current interest serial bonds in the amount of \$4,395,000, current interest term bonds in the amount of \$9,780,000 and capital appreciation bonds in the amount of \$325,000. The current interest serial bonds bear interest rates ranging from 3.25% to 5% and mature on November 1, 2023. The current interest term bonds bear interest rates ranging from 4.75% to 5% and mature on November 1, 2028 and 2036. The capital appreciation bonds have effective interest rates ranging from 4.76% to 5.00% and mature on November 1, 2019, 2020 and 2021. The accreted value at maturity for the capital appreciation bonds is \$1,530,000. Total accreted interest of \$31,019 has been included in the statement of net assets at June 30, 2009. At June 30, 2009, the District had \$13,288,626 of unspent bond proceeds remaining on the bond issue.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of the facilities grant from OSFC. OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2009, the total cost of the Construction Project is \$33,346,611, of which OSFC will pay \$21,008,365.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on May 1 and November 1 each year. The final maturity stated in the issue is during fiscal year 2037.

The following is a schedule of activity for fiscal year 2009 on the 2008 series bonds:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
2008 Series	\$ -	\$ 14,175,000	\$ -	\$ 14,175,000
Capital appreciation bonds -				
2008 Series	-	325,000	-	325,000
Capital appreciation bonds -				
Accreted Interest	-	<u>31,019</u>	-	<u>31,019</u>
<b>Total</b>	<u>\$ -</u>	<u>\$ 14,531,019</u>	<u>\$ -</u>	<u>\$ 14,531,019</u>

The following is a summary of the future debt service requirements to maturity for the 2008 series bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 80,000	\$ 655,962	\$ 735,962	\$ -	\$ -	\$ -
2011	235,000	650,844	885,844	-	-	-
2012	250,000	642,963	892,963	-	-	-
2013	305,000	633,563	938,563	-	-	-
2014	330,000	622,450	952,450	-	-	-
2015 - 2019	2,150,000	2,886,488	5,036,488	-	-	-
2020 - 2024	1,045,000	2,593,119	3,638,119	325,000	1,205,000	1,530,000
2025 - 2029	3,065,000	2,055,783	5,120,783	-	-	-
2030 - 2034	3,890,000	1,211,250	5,101,250	-	-	-
2035 - 2037	<u>2,825,000</u>	<u>216,625</u>	<u>3,041,625</u>	-	-	-
<b>Total</b>	<u>\$ 14,175,000</u>	<u>\$ 12,169,047</u>	<u>\$ 26,344,047</u>	<u>\$ 325,000</u>	<u>\$ 1,205,000</u>	<u>\$ 1,530,000</u>

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" district by the Board passing a resolution on July 19, 2007.

**NOTE 9 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax effective June 2, 1992. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2009 was \$1,367,847.

**NOTE 10 - COMPENSATED ABSENCES**

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

Administrators, teachers, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days. Upon retirement, payment is made for 30% of the total sick leave accumulation up to a maximum of seventy-five days.

Compensated absences will be paid from the fund from which the employee is paid, which primarily are the general fund and food service fund (a nonmajor governmental fund).

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District retained property insurance coverage, underwritten by Ohio Casualty, in the blanket amount of \$21,491,509 with 100% coinsurance, replacement cost and agreed upon endorsement and a \$2,500 deductible. Boiler and machinery coverage is provided within the property coverage and limits. The District also has inland marine floaters in the amount of \$20,000 with a \$500 deductible for coverage of audio visual equipment, musical instruments and band uniforms.

Vehicles are covered by Ohio Casualty and hold a \$500 deductible for claims related to collision and a comprehensive deductible of \$250. Automobile liability has a \$1,000,000 combined single limit of liability.

Nationwide Insurance Companies also provide general liability coverage with a \$1,000,000 single occurrence limit, an aggregate limit of \$3,000,000 with no deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance from the prior year.

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

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

The District has elected to provide a comprehensive medical benefits package to the employees through Medical Mutual of Ohio. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible in network and \$200 single and \$400 family non-network. Included in the plan is a prescription drug card with a \$10/20/30 per prescription deductible for PCS drugs and a \$20/40/60 per prescription deductible for mail-order 3 month supply of drugs. The total monthly premium for the medical and prescription drug plan is \$468.14 for single coverage and \$1,179.64 for family coverage which is paid out of the same fund that pays the salary for the employee. The employee pays 15% of the medical premium, while the District pays the remaining 85% of the medical premium and 100% of the Dental/Vision prescription drug premiums.

The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations.

The District provides dental coverage for its employees with a \$25 deductible per person, or \$50 deductible for a family. The total monthly premium for this dental coverage is \$34.37 for single and \$88.36 for family coverage.

The District also provides vision coverage for its employees with no deductible coverage. The total monthly premium is \$16.93 for single or family coverage.

The above employee portions of premiums for medical, dental and vision insurance are for full-time employees.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation Plan**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**D. Employee Dishonesty Bonds**

The District also carries a blanket employee dishonesty bond in the amount of \$10,000 per loss (\$20,000 for the treasurer) and a \$250 deductible with a faithful performance endorsement.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The 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 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 12 - PENSION PLANS - (Continued)**

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

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$111,908, \$109,324 and \$116,072, respectively; 42.04 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NORTHMOR LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$646,231, \$632,878 and \$616,607, respectively; 83.45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$6,844 made by the District and \$10,277 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$76,717, \$75,194 and \$63,508, respectively; 42.04 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,233, \$7,877 and \$7,893, respectively; 42.04 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$49,710, \$46,683 and \$47,431, respectively; 83.45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	
	<u>General fund</u>
Budget basis	\$ (245,098)
Net adjustment for revenue accruals	(377,272)
Net adjustment for expenditure accruals	(106,736)
Net adjustment for other sources/uses	(672)
Adjustment for encumbrances	<u>16,066</u>
GAAP basis	<u>\$ (713,712)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no other material litigation as either plaintiff or defendant.

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ 28,530	\$ -
Current year set-aside requirement	198,589	198,589
Current year offsets	-	(36,505)
Qualifying disbursements	<u>(225,454)</u>	<u>(162,084)</u>
Total	<u>\$ 1,665</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2010	<u>\$ 1,665</u>	<u>\$ -</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount equal or below zero for the textbooks/instructional materials due to budget cuts. In addition to the above statutory reserves, the District also received monies for school bus purchases.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for textbooks/instructional material	\$ 1,665
Amount restricted for purchase of school bus	<u>12,923</u>
Total restricted assets	<u>\$ 14,588</u>

**NOTE 17 - CONTRACTUAL COMMITMENTS**

As a result of the Ohio School Facilities Project that was in progress at June 30, 2009, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
Mark Schaffer Excavating	\$ 1,709,225	\$ -	\$ 1,709,225
Middleton Geothermal Services	<u>878,878</u>	<u>12,400</u>	<u>866,478</u>
Total	<u>\$ 2,588,103</u>	<u>\$ 12,400</u>	<u>\$ 2,575,703</u>

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**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 24,714	\$ 24,714
Cash Assistance:			
National School Lunch Program	10.555	147,676	147,676
Total Child Nutrition Cluster		<u>172,390</u>	<u>172,390</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>172,390</u></b>	<b><u>172,390</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education</i>			
Special Education-Grants to States	84.027	195,794	253,559
Title I Grants to Local Educational Agencies	84.010	212,612	215,186
State Grants for Innovative Programs	84.298	2,655	2,581
Improving Teacher Quality State Grants	84.367	80,224	80,436
Safe and Drug-Free Schools and Communities State Grants	84.186	4,294	4,294
Twenty-First Century Community Learning Centers	84.287	118,729	112,486
Education Technology State Grants	84.318	<u>1,051</u>	<u>1,190</u>
<b>Total U.S. Department of Education</b>		<b><u>615,359</u></b>	<b><u>669,732</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 787,749</u></b>	<b><u>\$ 842,122</u></b>

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

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the 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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated April 5, 2010.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2009-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 5, 2010.

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

We intend this report solely for the information and use of the management, Board of Education and federal awarding agencies and pass-through agencies. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 5, 2010



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Northmor Local School District, Morrow County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2009-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability applying to its Special Education Grants to States (Title VI-B) program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Northmor Local School District, Morrow County, Ohio, complied, in all material respects, with the requirements referred to above applying to its major federal program for the year ended June 30, 2009.

In a separate letter to the District's management dated April 5, 2010, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

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

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2009-002 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2009-002 described in the accompanying schedule of findings and questioned costs to be a material weakness.

We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 5, 2010.

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

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 5, 2010

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified over Period of Availability
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2009-001</b>
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**Material Non-Compliance  
Continuing Disclosure Certificate**

17 C.F.R. § 240.15c2-12 provides, in part, that the issuer of municipal securities must provide to each nationally recognized municipal securities information repository and to the appropriate state information depository annual financial information. Additionally, if not submitted as part of the annual financial information, then when and if available, to each nationally recognized municipal securities information repository and to the appropriate state information depository, audited financial statements.

Furthermore, Section 3 of the Continuing Disclosure Certificate, \$14,500,000 School Facilities Commission Bond Agreement, states that the District shall, no later than December 1 of each year, provide to each Repository an annual report for the fiscal year of the District which ended on the previous June 30. The annual report shall contain or incorporate the following: general purpose financial statements of the District, five-year projection of the District, fiscal year data for the table entitled "property taxes" contained in the Official Statement under the caption "School District Tax Base", and fiscal year data for the table entitled "School District History of Voted Taxes" contained in the Official Statement under the caption "Finances of the School District".

The District had not submitted an annual financial report to the required repositories by December 1, 2009.

We recommend the annual financial report be provided to the required repositories by the required date each year.

**Officials' Response**

I did not submit the Continuing Disclosure Certificate by December 1, 2009 as required. It was to my understanding that I was to submit audited reports and I was not aware that I was to report the Certificate regardless if the statements were audited or not.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2009-002
<b>CFDA Title and Number</b>	Special Education-Grants to States, #84.027
<b>Federal Award Number / Year</b>	FY 2008
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NORTHMOR LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	<b>2009-002 (Continued)</b>
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**Questioned Costs/Significant Deficiency/Material Weakness (Continued)  
Period of Availability – Special Education-Grants to States (Continued)**

34 C.F.R. § 74.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary. The Ohio Department of Education (ODE) 2008 Continuous Comprehensive Improvement Planning (CCIP) Competitive Application for the Title VI-B grant defined the available period as July 1, 2007 to June 30, 2008. ODE Federal Fiscal Report Procedures #1 states that obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period.

Furthermore, 34 C.F.R. § 80.23 (formerly OMB Circular A-102 Common Rule) states that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

In fiscal year 2009, the District transferred \$36,955 in unobligated balances from the FY08 Title VI-B special cost center to the FY09 Title VI-B special cost center. This transfer of funds was not authorized by the Ohio Dept. of Education (ODE). Additionally, the District recorded \$28,947 in FY08 Title VI-B receipts in the FY09 Title VI-B special cost center. These instances resulted in the District charging to the FY08 Title VI-B grant costs incurred after the period of availability.

Total questioned costs for expenditures that were obligated outside the period of availability are \$65,902 of the District's \$253,559 spent on the Title VI-B program during fiscal year 2009. We recommend the District request and receive approval from ODE to carryover unobligated balances from one grant year to another prior to making such transfers. We further recommend the District implement procedures to ensure that costs charged to its grant awards only result from obligations incurred during the funding period that are liquidated by the required deadline.

**Officials' Response and Corrective Action Plan**

The Treasurer, Tina Gabler, has contacted the Ohio Department of Education and based on their recommendation, will be submitting a corrected final expenditure report for fiscal years 2007, 2008, and 2009. The Treasurer will submit the corrected final expenditure reports in May 2010. The issue started in fiscal year 2007 and has affected the subsequent years.

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**Mary Taylor, CPA**  
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

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

To the Board of Education:

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

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

We noted the Board did not adopt an anti-harassment policy as of June 30, 2009.

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

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

April 5, 2010





**Mary Taylor, CPA**  
Auditor of State

**NORTHMOR LOCAL SCHOOL DISTRICT**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 13, 2010**