

**NORTHERN LOCAL SCHOOL DISTRICT**

SOUTHEAST REGION, PERRY COUNTY

SINGLE AUDIT

July 1, 1999 - June 30, 2000

FISCAL YEAR AUDITED UNDER GAGAS: 2000



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Board of Education  
Northern Local School District  
Thornville, Ohio 43076

We have reviewed the Independent Auditor's Report of the Northern Local School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

November 28, 2000

**Northern Local School District  
Perry County**

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Board of Education  
Northern Local School District  
Thornville, Ohio 43076

### Independent Auditors' Report

We have audited the accompanying financial statements of Northern Local School District, Perry County, (the District) as of and for the year ended June 30, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note A, the District prepares its financial statements on the basis of accounting formally prescribed or permitted by the Auditor of the State of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street  
Newark, Ohio 43055  
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Our audit was performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shannon & Snow, Inc.*

Newark, Ohio  
September 15, 2000

**Northern Local School District  
Perry County**

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH BALANCES -  
ALL FUND TYPES

June 30, 2000

Cash in banks	\$	143,601	
Less outstanding checks		<u>(52,007)</u>	\$ 91,593
Investments			2,618,232
Certificates of deposit			1,847,000
Cash on hand			<u>1,500</u>
Total			<u>\$ 4,558,325</u>

CASH BALANCES BY FUND TYPE

Governmental Funds			
General	\$	1,164,736	
Special Revenue		281,893	
Debt Service		-	
Capital Projects		<u>2,815,433</u>	\$ 4,262,063
Proprietary Funds			
Enterprise		17,228	
Internal Service		<u>179,374</u>	196,602
Fiduciary Funds			
Non-expendable Trust		67,849	
Agency		<u>31,811</u>	<u>99,660</u>
Total			<u>\$ 4,558,325</u>

The accompanying notes are an integral part of this statement.

**Northern Local School District  
Perry County**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
AND EXPENDABLE TRUST FUND TYPES**

Year ended June 30, 2000

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b>Receipts</b>					
Local sources					
Taxes	\$ 3,050,885	\$ -	\$ -	\$ 478,051	\$ 3,528,936
Tuition	59,297	-	-	-	59,297
Earnings on investments	87,340	-	-	118,232	205,572
Extracurricular activities	-	366,148	-	-	366,148
Class room materials and fees	53,386	-	-	-	53,386
Miscellaneous	56,582	14,855	-	-	71,437
Intermediate sources					
Unrestricted Grants-in-Aid	-	14,000	-	-	14,000
Restricted Grants-in-Aid	-	35,206	-	-	35,206
State sources					
Unrestricted Grants-in-Aid	8,178,300	900	-	50,751	8,229,950
Restricted Grants-in-Aid	146,502	173,917	-	19,831	340,249
Revenue for/on behalf of the District	11	-	-	-	11
Federal sources					
Restricted Grants-in-Aid	-	507,505	-	155,936	663,441
<b>Total receipts</b>	<b>11,632,303</b>	<b>1,112,531</b>	<b>-</b>	<b>822,801</b>	<b>13,567,635</b>
<b>Disbursements</b>					
Instruction					
Regular	5,068,177	135,794	-	57,210	5,261,181
Special	652,937	410,926	-	-	1,063,863
Vocational Education	282,870	900	-	-	283,770
Other instruction	191,936	-	-	-	191,936
Supporting services					
Pupils	528,334	177,529	-	-	705,863
Instructional staff	511,566	8,615	-	-	520,181
Board of Education	403,739	-	-	-	403,739
Administration	988,609	11,275	-	109	999,993
Fiscal services	332,184	-	-	14,035	346,219
Business	17,975	-	-	-	17,975
Operation and maintenance - plant	1,202,940	-	-	43,527	1,246,467
Pupil transportation	938,813	-	-	-	938,813
Central	7,549	16,574	-	-	24,123
Operation of non-instruction services					
Food Service Operations	351	-	-	-	351
Community services	-	91,252	-	-	91,252
Extracurricular activities					
Academic and subject oriented activities	39,466	111,123	-	-	150,590
Sports oriented	106,882	134,888	-	-	241,770
Co-curricular activities	-	91,772	-	-	91,772
Facilities acquisition and construction services					
Site acquisition	249,921	-	-	-	249,921
Site improvement	24,386	-	-	-	24,386
Architecture and engineering	-	-	-	1,342	1,342
Building acquisition and construction	33,516	-	-	104,821	138,337
Building improvement	-	-	-	495,886	495,886
Debt service					
Repayment of debt	-	-	143,436	405,270	548,706
<b>Total disbursements</b>	<b>11,582,151</b>	<b>1,190,649</b>	<b>143,436</b>	<b>1,122,201</b>	<b>14,038,437</b>

The accompanying notes are an integral part of this statement.

**Northern Local School District  
Perry County**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
AND EXPENDABLE TRUST FUND TYPES - CONTINUED

Year ended June 30, 2000

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Excess of receipts over (under) disbursements	\$ 50,152	\$ (78,118)	\$ (143,436)	\$ (299,400)	\$ (470,802)
Other financing (uses) sources					
Note proceeds	-	-	-	2,500,000	2,500,000
Proceeds from sale of assets	17,355	-	-	-	17,355
Transfers - in	-	5,000	143,436	32,208	180,644
Transfers - out	(180,644)	-	-	-	(180,644)
Advances - in	231,935	46,397	-	-	278,333
Advances - out	(222,274)	-	-	(56,059)	(278,333)
Refund of prior year receipts	(3,505)	-	-	-	(3,505)
Total other financing (uses) sources	(157,133)	51,397	143,436	2,476,149	2,513,850
Excess of receipts and other financing sources (under) over disbursements and other financing (uses)	(106,981)	(26,721)	-	2,176,749	2,043,047
Fund balances, July 1, 1999	1,271,717	308,614	-	638,684	2,219,015
Fund balances, June 30, 2000	\$ 1,164,736	\$ 281,893	\$ -	\$ 2,815,433	\$ 4,262,063
Encumbrances at June 30, 2000	\$ 220,243	\$ 83,015	\$ -	\$ 51,413	\$ 354,671

The accompanying notes are an integral part of this statement.



**Northern Local School District  
Perry County**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
AND AGENCY FUND TYPES

Year ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type		Total (Memorandum Only)
	Enterprise	Internal Service	Non-expendable		
			Trust	Agency	
Operating receipts					
Food services	\$ 339,664	\$ -	\$ -	\$ -	\$ 339,664
Extracurricular activities	-	-	-	73,478	73,478
Miscellaneous	-	-	18,113	-	18,113
Total operating receipts	339,664	-	18,113	73,478	431,254
Operating disbursements					
Personal services - salaries	194,777	-	-	-	194,777
Employees' retirement and insurance	82,375	76,347	-	-	158,722
Purchased services	8,243	990,456	-	-	998,700
Supplies and materials	226,409	-	-	-	226,409
Capital outlay	435	-	-	-	435
Miscellaneous	-	-	2,405	76,199	78,604
Total operating disbursements	512,239	1,066,804	2,405	76,199	1,657,646
Excess of operating receipts (under) over operating disbursements	(172,575)	(1,066,804)	15,708	(2,721)	(1,226,392)
Non-operating receipts					
Miscellaneous	-	1,072,359	-	-	1,072,359
Unrestricted Grants-in-Aid - state	7,390	-	-	-	7,390
Unrestricted Grants-in-Aid - federal	151,623	-	-	-	151,623
Total non-operating receipts	159,013	1,072,359	-	-	1,231,372
Excess of operating receipts and non-operating receipts (under) over operating disbursements	(13,562)	5,556	15,708	(2,721)	4,980
Fund balances, July 1, 1999	30,790	173,818	52,141	34,532	291,282
Fund balances, June 30, 2000	<u>\$ 17,228</u>	<u>\$ 179,374</u>	<u>\$ 67,849</u>	<u>\$ 31,811</u>	<u>\$ 296,262</u>
Encumbrances at June 30, 2000	<u>\$ 4,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,989</u>	<u>\$ 6,341</u>

The accompanying notes are an integral part of this statement.

**Northern Local School District  
Perry County**

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL

Year ended June 30, 2000

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 11,677,944	\$ 11,881,593	\$ 203,649
Special Revenue	1,135,053	1,163,928	28,875
Debt Service	143,439	143,436	(3)
Capital Projects	3,340,829	3,355,009	14,180
Proprietary			
Enterprise	499,114	498,677	(437)
Internal Service	1,071,930	1,072,359	429
Fiduciary			
Trust and Agency	<u>90,796</u>	<u>91,591</u>	<u>795</u>
Total (Memorandum Only)	<u>\$ 17,959,104</u>	<u>\$ 18,206,593</u>	<u>\$ 247,489</u>

The accompanying notes are an integral part of this statement.

**Northern Local School District  
Perry County**

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED  
WITH EXPENDITURE AUTHORITY

Year ended June 30, 2000

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Fiscal Year Appropriations</u>	<u>Total</u>	<u>Fiscal Year Disbursements</u>	<u>Encumbrances Outstanding at June 30, 2000</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental							
General	\$ 301,944	\$ 11,833,732	\$ 12,135,676	\$ 11,988,574	\$ 220,243	\$ 12,208,817	\$ (73,141)
Special Revenue	67,730	1,352,975	1,420,705	1,190,649	83,015	1,273,664	147,041
Debt Service	-	143,436	143,436	143,436	-	143,436	-
Capital Projects	117,694	1,257,887	1,375,581	1,178,260	51,413	1,229,673	145,908
						-	
Proprietary							
Enterprise	3,922	519,970	523,892	512,239	4,352	516,591	7,301
Internal Service	-	1,163,014	1,163,014	1,066,804	-	1,066,804	96,210
						-	
Fiduciary							
Trust and Agency	4,349	138,748	143,097	78,604	1,989	80,593	62,504
Total (Memorandum Only)	<u>\$ 495,639</u>	<u>\$ 16,409,762</u>	<u>\$ 16,905,401</u>	<u>\$ 16,158,566</u>	<u>\$ 361,012</u>	<u>\$ 16,519,578</u>	<u>\$ 385,823</u>

The accompanying notes are an integral part of this statement.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northern Local School District is a political subdivision 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 school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999, was 2,306. The District employed 159 certificated employees and 87 non-certificated 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.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State of Ohio.

Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting - Continued

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**GOVERNMENTAL FUNDS**

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute (House Bill 412 and 770) and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**PROPRIETARY FUNDS**

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**FIDUCIARY FUNDS**

Non-Expendable Trust and Agency Funds

These funds are used to account for assets held by a governmental unit in a trustee capacity for individuals, private organizations, other funds and/or governmental units. These include Non-Expendable Trust Funds and Agency Funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**BUDGETARY PROCESS - CONTINUED**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not included in the budget since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Perry County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provision.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.



**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, Plant and Equipment

Fixed assets acquired by or constructed for the District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

Accumulated Unpaid Vacation Leave, Sick Leave and Personal Leave

Accumulated unpaid sick leave and personal leave are not accrued under the cash basis of accounting described in Note A. All leave will be absorbed either by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2000.

The District does not currently estimate vacation leave for its administrative employees, thus it is unknown what this obligation would be at June 30, 2000.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. During fiscal year 2000, investments were limited to repurchase agreements, bank certificates of deposits, and interest bearing accounts. All investments of the School District had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute, and in conjunction with the District policies.

Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note J for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE B – COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations - For the year ended June 30, 2000 expenditures exceeded appropriations in the general fund in the amount of \$73,141. The excess expenditures were funded from available fund balance.

NOTE C – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 that 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 pass book accounts.

Protection of School 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.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Interim monies to 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty five percent of the interim monies available for investment at any one time.

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 prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

**Deposits:** At fiscal year end, the carrying amount of the School District’s deposits was \$1,940,094, which excludes investments in STAR Ohio at June 30, 2000, and the bank balance was \$1,992,101. Of the bank balance, \$149,775 was covered by federal depository insurance and \$1,842,326 was covered by pooled securities. The District did have adequate pooled collateral from the bank to cover deposits. The securities serving as collateral were held by the pledging financial institution’s trust department in the School District’s name and all State statutory requirements for the deposit of money had been followed, however, noncompliance with federal requirements required by the bank and the District could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District’s investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District’s name. The School District’s investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	<u>\$2,618,232</u>

NOTE D - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - PROPERTY TAXES - CONTINUED

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Perry, Fairfield and Licking Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2000 taxes were collected are:

Real Property – Current Valuation	
Residential/Agricultural	\$128,902,420
Commercial Industrial	9,292,050
Tangible Personal Property	
General	5,159,960
Public Utilities	<u>24,113,110</u>
 Total Valuation	 <u>\$167,467,540</u>

The County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically remits to the taxing districts their portion of the tax collected

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - DEBT OBLIGATIONS

Debt outstanding at June 30, 2000 consisted of the following:

Permanent Improvement Tax Anticipation Notes	
Principal outstanding, due 2000-2009	\$2,500,000
Interest rate	4.96% - 5.65%
School Energy Conservation Bonds	
Principal Outstanding, due 2000-2008	\$ 525,000
Interest rate	4.35% - 4.50%

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

The School Energy Conservation Bonds were issued in 1998 and the proceeds were used to acquire and install equipment and other improvements for energy conservation purposes. These bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property within the District, provided, however, that in each year to the extent that funds are available from other sources, including savings generated by energy conservation measures by the District, the amount of such tax shall be reduced by the amount of such funds so available.

The annual principal requirements to amortize all outstanding debt as of June 30, 2000 are as follows:

June 30	Permanent Improvement Notes	Energy Conservation Bonds	Total
2001	\$ 250,000	\$ 15,000	\$ 265,000
2002	250,000	55,000	305,000
2003	250,000	55,000	305,000
2004	250,000	60,000	310,000
2005	250,000	60,000	310,000
Thereafter	<u>1,250,000</u>	<u>280,000</u>	<u>1,530,000</u>
 Total	 <u>\$2,500,000</u>	 <u>\$525,000</u>	 <u>\$3,025,000</u>

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F - LEASE OBLIGATIONS

The District has a capital lease purchase agreement for the purchase of a modular classroom. The District has the option to purchase the asset for \$1 at the end of the lease. The amount of principal outstanding, due in 2001, is \$17,091. Interest due on the lease in 2001 is \$772.

In addition, the District has several operating leases for office equipment. The annual requirements to amortize the leases as of June 30, 2000 are as follows:

<u>June 30</u>	<u>Amount</u>
2001	\$ 92,630
2002	92,430
2003	<u>7,703</u>
Total future minimum lease payments	<u>\$192,763</u>

Amounts paid for operating leases for the year ended June 30, 2000 were \$94,840.

NOTE G - RISK MANAGEMENT

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 ending June 30, 2000, the District contracted with various insurance companies for property and general liability insurance, including criminal, mechanical, electrical and pressure equipment, inland marine, and fleet coverage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based upon accident history and administrative costs.

The District has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an Internal Service Fund where assets are set aside for claim settlements. United Health Care acts as a third party to administer the activity. A premium is charged to each fund that accounts for part-time or full-time employees. The total charge allocated to each of the funds (the allocation is based upon the percentages of each fund's current-year payroll as it relates to total payroll of the District) is calculated using trends in actual claims experience.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE H - RETIREMENT SYSTEMS

School Employees Retirement System

The Northern Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute nine (9) percent of their annual covered salary. The current School District rate is fourteen (14) percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$232,736, \$215,004, and \$225,085, respectively.

State Teachers Retirement System

The Northern Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$789,978, \$761,040 and \$775,883, respectively.



**Northern Local School District**  
**Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

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

The Retirement Board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 1999 was 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I - POSTEMPLOYMENT BENEFITS - CONTINUED

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate was 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

NOTE J - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1999	\$ -	\$ -	\$134,290	\$ 134,290
Current year set-aside requirement	227,229	227,229	75,743	530,201
Current year offsets	-	(528,802)	-	(528,802)
Qualifying disbursements	(382,683)	(464,117)	-	(846,800)
Voluntary contribution	<u>-</u>	<u>-</u>	<u>73,431</u>	<u>73,431</u>
Totals	<u>\$(155,454)</u>	<u>\$(765,690)</u>	<u>\$283,464</u>	<u>\$(637,680)</u>
Restricted cash balance carried forward to fiscal year 2000	<u>\$ -</u>	<u>\$ -</u>	<u>\$283,464</u>	<u>\$ 283,464</u>

**Northern Local School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE J - SET-ASIDE CALCULATIONS AND FUND RESERVES - CONTINUED

Although the School District had qualifying disbursements during the year that reduced the set-aside below zero in the capital reserve, the extra amounts may not be used to reduce set-aside requirements for future years. However, effective June 29, 1999 an amendment of Ohio Rev. Code Section 3315.17 allows set-asides for textbooks made in one year which exceed the required percentage to reduce the amount required in succeeding fiscal years.

NOTE K - CONTINGENCIES

School Funding Decision

On March 24, 1997, the Ohio Supreme Court tendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,872,646 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

**Northern Local School District  
Perry County**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

Year ended June 30, 2000

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b><u>U.S. Department of Agriculture</u></b>						
Passed through Ohio Department of Education						
National School Lunch Program	4PU-00	10.555	\$ 151,623	\$ -	\$ 151,623	\$ -
Food Distribution Program		10.550	<u>-</u>	<u>35,003</u>	<u>-</u>	<u>37,978</u>
Total U.S. Department of Agriculture			151,623	35,003	151,623	37,978
<b><u>U.S. Department of Education</u></b>						
Passed through Ohio Department of Education						
Educationally Deprived Children Title I	C1-S1-00	84.010	337,238	-	407,277	-
Handicapped - State Grants Title VI-B	GB-SF-99	84.027	135,386	-	185,159	-
Title VI	C2-S1-00	84.298	3,660	-	10,300	-
Title VI R	CR-S2-00	84.340	27,964	-	23,230	-
Eisenhower	MS-S1-00	84.281	<u>3,258</u>	<u>-</u>	<u>11,975</u>	<u>-</u>
Total U.S. Department of Education			<u>507,505</u>	<u>-</u>	<u>637,941</u>	<u>-</u>
Total Federal Assistance			<u>\$ 659,128</u>	<u>\$ 35,003</u>	<u>\$ 789,564</u>	<u>\$ 37,978</u>

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

**Northern Local School District  
Perry County**

Fiscal year ended June 30, 2000

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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

Board of Education  
Northern Local School District  
Thornville, Ohio 43076

We have audited the financial statements of the District as of and for the year ended June 30, 2000 and have issued our report thereon dated September 15, 2000, wherein we noted the District continues to use the cash basis of accounting formally prescribed by the Auditor of the State of Ohio rather than generally accepted accounting principles, which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-1 and 2002-2.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 15, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated September 15, 2000.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Wilson, Sherman & Snow, Inc.*

Newark, Ohio  
September 15, 2000



## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education  
Northern Local School District  
Thornville, Ohio 43076

### **Compliance**

We have audited the compliance of Northern Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that 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.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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FAX (740) 345-5635



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over federal compliance, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 15, 2000.

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

*Wilson Sherman & Sons, Inc.*

Newark, Ohio  
September 15, 2000

**Northern Local School District  
Perry County**

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

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

**Northern Local School District  
Perry County**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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- 2000 - 1.** Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.
  
- 2000 - 2.** Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. The District's General Fund expenditures exceeded appropriations by \$73,141.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None were noted

**Northern Local School District  
Perry County**

SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2000

The results of prior year tests disclosed the following instance of noncompliance that was required to be reported under *Government Auditing Standards* described below:

- 1999 - 1.** Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles, unless a waiver is granted by the Auditor of the State of Ohio.

The District prepared its 1999 annual financial report on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, without receiving a waiver from the Auditor of the State of Ohio. The 1999 financial statements omitted assets, liabilities, fund equities, and disclosures that, while material, could not be determined at that time. The District can be fined and various legal administrative remedies may be taken against the District by the State of Ohio.

The District still has not been granted a waiver from the State of Ohio and is continuing to prepare its financial statements on the cash basis of accounting.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**NORTHERN LOCAL SCHOOL DISTRICT**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 7, 2000**