



Dave Yost • Auditor of State

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Independent Auditor's Report | 1 |
| General Purpose External Financial Statements: | |
| Management's Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 15 |
| Statement of Activities..... | 16 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 17 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities..... | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... | 19 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund..... | 21 |
| Statement of Fiduciary Net Position – Fiduciary Funds..... | 22 |
| Statement of Change in Fiduciary Net Position – Fiduciary Fund | 23 |
| Notes to the Basic Financial Statements | 25 |
| Schedule of Federal Awards Receipts and Expenditures..... | 53 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures | 54 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 55 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133..... | 57 |
| Schedule of Findings..... | 59 |
| Corrective Action Plan..... | 63 |
| Schedule of Prior Audit Findings..... | 64 |

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northmor Local School District
Morrow County
5246 County Road 29
Galion, Ohio, 44833

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio, (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

July 29, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$291,575 which represents a 1.51% decrease from 2013.
- General revenues accounted for \$11,086,503 in revenue or 81.23% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,562,527 or 18.77% of total revenues of \$13,649,030.
- The District had \$13,940,605 in expenses related to governmental activities; \$2,562,527 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 \$11,086,503 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, and building fund. The general fund had \$11,123,078 in revenues and \$10,822,767 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$300,311 from a fund deficit of \$25,739 to fund balance of \$274,572.
- The bond retirement fund had \$1,097,300 in revenues and \$980,457 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance increased \$116,843 from \$496,693 to \$613,536.
- The building fund had \$258,360 in expenditures. During fiscal year 2014, the building fund's fund balance decreased \$258,360 from a balance of \$1,134,615 to a balance of \$876,255.

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 position* 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 building 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, 2014
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, and extracurricular activities.

The District's statement of net position and statement of activities can be found on pages 15-16 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 11. 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 building 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 position 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 17-21 of this report.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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 position and changes in fiduciary net position on pages 22 and 23. 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 25-52 of this report.

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

| | Net Position | |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2014</u> | <u>2013</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 6,938,941 | \$ 7,810,035 |
| Capital assets, net | <u>30,845,239</u> | <u>31,319,724</u> |
| Total assets | <u>37,784,180</u> | <u>39,129,759</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 1,319,048 | 1,506,327 |
| Long-term liabilities | <u>14,742,736</u> | <u>14,867,528</u> |
| Total liabilities | <u>16,061,784</u> | <u>16,373,855</u> |
| <u>Deferred inflows of resources</u> | | |
| Property taxes levied for the next fiscal year | <u>2,660,831</u> | <u>3,402,764</u> |
| Total deferred inflows of resources | <u>2,660,831</u> | <u>3,402,764</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 17,222,137 | 17,352,155 |
| Restricted | 1,708,209 | 2,141,798 |
| Unrestricted (deficit) | <u>131,219</u> | <u>(140,813)</u> |
| Total net position | <u>\$ 19,061,565</u> | <u>\$ 19,353,140</u> |

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

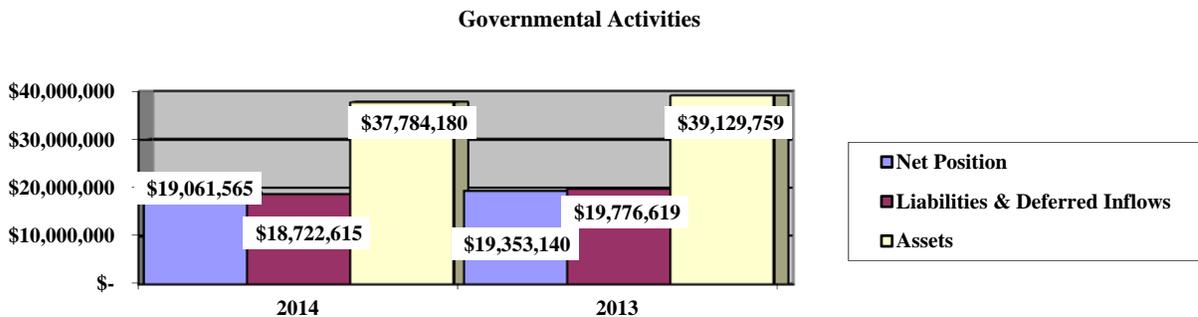
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$19,061,565. At fiscal year-end, unrestricted net position was a balance of \$131,219.

At fiscal year-end, capital assets represented 81.64% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2014, was \$17,222,137. 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 position, \$1,708,209, represents resources that are subject to external restriction on how they may be used.

The graph below illustrates the District's assets, liabilities and deferred inflows, and net position at June 30, 2014 and 2013:



The table below shows the change in net position for fiscal year 2014 and 2013.

Change in Net Position

| | Governmental Activities <u>2014</u> | Governmental Activities <u>2013</u> |
|------------------------------------|---|---|
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,008,960 | \$ 1,130,656 |
| Operating grants and contributions | 1,553,567 | 1,654,863 |
| General revenues: | | |
| Property taxes | 4,195,896 | 4,045,078 |
| Income taxes | 1,448,185 | 1,469,388 |
| Grants and entitlements | 5,386,442 | 5,208,519 |
| Decrease in FMV of investments | - | (290) |
| Investment earnings | 2,472 | 1,707 |
| Other | <u>53,508</u> | <u>32,612</u> |
| Total revenues | <u>13,649,030</u> | <u>13,542,533</u> |

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Change in Net Position

| | Governmental Activities <u>2014</u> | Governmental Activities <u>2013</u> |
|---|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 5,227,642 | \$ 5,414,601 |
| Special | 1,353,708 | 1,238,831 |
| Vocational | 159,349 | 180,844 |
| Other | 1,140,745 | 1,084,213 |
| Support services: | | |
| Pupil | 351,537 | 293,052 |
| Instructional staff | 631,843 | 719,754 |
| Board of education | 15,075 | 18,120 |
| Administration | 1,120,642 | 1,072,268 |
| Fiscal | 442,715 | 496,616 |
| Operations and maintenance | 1,209,033 | 1,070,949 |
| Pupil transportation | 810,470 | 819,897 |
| Central | 600 | 440 |
| Operations of non-instructional services: | | |
| Other non-instructional services | 841 | 3,874 |
| Food service operations | 460,759 | 449,791 |
| Extracurricular activities | 329,134 | 343,481 |
| Interest and fiscal charges | <u>686,512</u> | <u>930,787</u> |
| Total expenses | <u>13,940,605</u> | <u>14,137,518</u> |
| <u>Special Item</u> | | |
| Refund to Ohio School Facilities Commission | <u>-</u> | <u>(1,524,951)</u> |
| Change in net position | (291,575) | (2,119,936) |
| Net position at beginning of year | <u>19,353,140</u> | <u>21,473,076</u> |
| Net position at end of year | <u>\$ 19,061,565</u> | <u>\$ 19,353,140</u> |

Governmental Activities

Net position of the District's governmental activities decreased \$291,575. Total governmental expenses of \$13,940,605 were offset by program revenues of \$2,562,527 and general revenues of \$11,086,503. Program revenues supported 18.38% 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 80.82% of total governmental revenue.

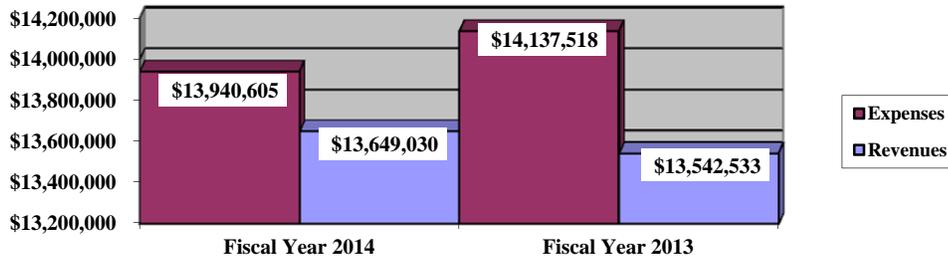
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,881,444 or 56.54% of total governmental expenses for fiscal year 2014.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



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.

Governmental Activities

| | Total Cost of Services 2014 | Net Cost of Services 2014 | Total Cost of Services 2013 | Net Cost of Services 2013 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 5,227,642 | \$ 4,394,944 | \$ 5,414,601 | \$ 4,414,559 |
| Special | 1,353,708 | 429,183 | 1,238,831 | 275,830 |
| Vocational | 159,349 | 123,497 | 180,844 | 125,387 |
| Other | 1,140,745 | 1,140,745 | 1,084,213 | 1,084,213 |
| Support services: | | | | |
| Pupil | 351,537 | 298,768 | 293,052 | 247,407 |
| Instructional staff | 631,843 | 587,562 | 719,754 | 674,049 |
| Board of education | 15,075 | 15,075 | 18,120 | 18,120 |
| Administration | 1,120,642 | 1,048,390 | 1,072,268 | 999,634 |
| Fiscal | 442,715 | 442,652 | 496,616 | 496,616 |
| Operations and maintenance | 1,209,033 | 1,200,209 | 1,070,949 | 1,070,949 |
| Pupil transportation | 810,470 | 793,365 | 819,897 | 801,424 |
| Central | 600 | 600 | 440 | 440 |
| Operations of non-instructional services: | | | | |
| Other non-instructional services | 841 | 16 | 3,874 | 425 |
| Food service operations | 460,759 | (6,862) | 449,791 | (49,034) |
| Extracurricular activities | 329,134 | 223,422 | 343,481 | 261,193 |
| Interest and fiscal charges | 686,512 | 686,512 | 930,787 | 930,787 |
| Total expenses | <u>\$ 13,940,605</u> | <u>\$ 11,378,078</u> | <u>\$ 14,137,518</u> | <u>\$ 11,351,999</u> |

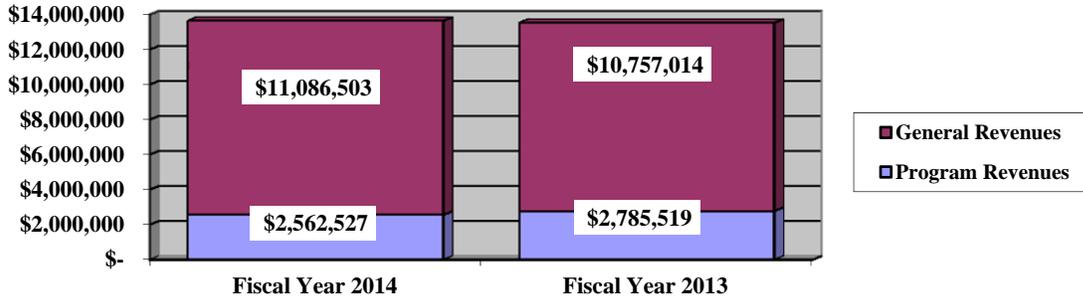
The dependence upon tax and other general revenues for governmental activities is apparent, 77.25% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.62%.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The District's taxpayers and unrestricted grants and entitlements, from the state are the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,318,562, which is higher than last year's total of \$2,267,884. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

| | Fund Balance June 30, 2014 | Fund Balance (deficit) June 30, 2013 | Change | Percentage Change |
|--------------------|-------------------------------|--|------------------|----------------------|
| General | \$ 274,572 | \$ (25,739) | \$ 300,311 | 1,166.75 % |
| Bond retirement | 613,536 | 496,693 | 116,843 | 23.52 % |
| Building | 876,255 | 1,134,615 | (258,360) | (22.77) % |
| Other governmental | 554,199 | 662,315 | (108,116) | (16.32) % |
| Total | <u>\$ 2,318,562</u> | <u>\$ 2,267,884</u> | <u>\$ 50,678</u> | 2.23 % |

General Fund

The District's general fund balance increased \$300,311.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | 2014 <u>Amount</u> | 2013 <u>Amount</u> | <u>Change</u> | Percentage <u>Change</u> |
|----------------------------|--------------------------|--------------------------|------------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 4,584,469 | \$ 4,347,847 | \$ 236,622 | 5.44 % |
| Tuition | 720,905 | 836,241 | (115,336) | (13.79) % |
| Earnings on investments | 2,478 | 1,704 | 774 | 45.42 % |
| Intergovernmental | 5,717,961 | 5,460,351 | 257,610 | 4.72 % |
| Other revenues | <u>97,265</u> | <u>65,843</u> | <u>31,422</u> | 47.72 % |
| Total | <u>\$ 11,123,078</u> | <u>\$ 10,711,986</u> | <u>\$ 411,092</u> | 3.84 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 6,368,980 | \$ 6,492,982 | \$ (124,002) | (1.91) % |
| Support services | 4,230,477 | 4,105,418 | 125,059 | 3.05 % |
| Extracurricular activities | <u>223,310</u> | <u>239,527</u> | <u>(16,217)</u> | (6.77) % |
| Total | <u>\$ 10,822,767</u> | <u>\$ 10,837,927</u> | <u>\$ (15,160)</u> | (0.14) % |

Taxes increased \$236,622 or 5.44% from the prior year. This increase is due to the District receiving more property and income taxes. The decrease of tuition of \$115,336 is due to a decrease in open enrollment.

Overall expenditures in the general fund decreased \$15,160 or 0.14%. The largest decrease was in the area of instructional activities of \$124,002. This decrease can be attributed to the decrease in regular and vocational expenditures.

Bond Retirement Fund

The bond retirement fund had \$1,097,300 in revenues during fiscal year 2014. The bond retirement fund had \$980,457 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance increased \$116,843 from a fund balance of \$496,693 to \$613,536.

Building Fund

The building fund had \$258,360 in expenditures. During fiscal year 2014, the building fund's fund balance decreased \$258,360 from a fund balance of \$1,134,615 to \$876,255.

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 2014, the District amended its general fund budget multiple times. For the general fund, original budgeted revenues were \$10,983,342 and final budgeted revenues were \$10,828,409. Actual revenues for fiscal year 2014 were \$10,964,860.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

General fund original appropriations (appropriated expenditures) of \$10,958,805 were decreased to \$10,917,209 in the final appropriations. The actual budget basis expenditures for fiscal year 2014 totaled \$10,877,824, which is \$39,385 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$30,845,239 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013:

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

| | Governmental Activities | |
|---------------------------|-------------------------|---------------|
| | 2014 | 2013 |
| Land | \$ 139,000 | \$ 139,000 |
| Land improvements | 422,955 | 300,076 |
| Building and improvements | 29,304,320 | 29,980,833 |
| Furniture and equipment | 460,949 | 449,024 |
| Vehicles | 518,015 | 450,791 |
| Total | \$ 30,845,239 | \$ 31,319,724 |

The overall decrease in capital assets of \$474,485 is due to depreciation expense of \$837,564 exceeding capital additions of \$363,079 in the fiscal year. See Note 8 to the basic financial statements for additional information.

Debt Administration

At June 30, 2014, the District had \$13,647,850 in general obligation bonds outstanding. Of this total, \$355,000 is due within one year and \$13,292,850 is due in more than one year.

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2014</u> | Governmental Activities <u>2013</u> |
|--|---|---|
| Current interest bonds - Series 2008 | \$ 12,975,000 | \$ 13,305,000 |
| Capital appreciation bonds - Series 2008 | 325,000 | 325,000 |
| Accreted interest | 347,850 | 267,417 |
| Total | \$ 13,647,850 | \$ 13,897,417 |

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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. In November 2013, residents of the District voted against a 5-year 3.1 mill Emergency Levy.

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 District continues to closely monitor income amounts. Property tax revenue estimates are based on historical growth patterns, including updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor. The property tax figures are based on historical collection levels. The Northmor Local School District is at the 20 mill floor. Property re-evaluations do directly impact the revenue. Estimates for income tax revenue are based on information provided by the department of taxation. The current tax rate is continuing. Current economic and employment conditions can substantially affect this amount. Revenue from State foundation payments is expected to remain consistent based on the current State formula, historical patterns are other indicators included in legislation. The property tax allocation is calculated as a fixed percentage of property tax receipts. The percentage is calculated as an average of this percentage from the prior three years. The growth in this revenue parallels the anticipated growth in property taxes. Revenues from all other sources are based on historical patterns, and a conservative approach has been taken.

The amounts for salaries and benefits are based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases have been used. Retirements or the lack thereof will affect this significantly. Anticipated expenditures in Purchased Services, Supplies and other are based on historical patterns. The District anticipates spending all reserve requirements. Capital outlay is based on historical patterns and a consideration of District growth and goals. Anticipated expenditures in Other, Advances and Transfers are based on historical patterns. Estimated encumbrances are based on historical patterns.

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. Tammi Cowell, Treasurer, Northmor Local School District, 5247 County Road 29, Galion, Ohio 44833.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 1,935,604 |
| Receivables: | |
| Property taxes | 4,262,375 |
| Income taxes. | 498,680 |
| Intergovernmental | 207,196 |
| Accrued interest | 513 |
| Prepayments | 18,257 |
| Materials and supplies inventory. | 16,316 |
| Capital assets: | |
| Land | 139,000 |
| Depreciable capital assets, net. | 30,706,239 |
| Capital assets, net | 30,845,239 |
| Total assets. | 37,784,180 |
| Liabilities: | |
| Accounts payable. | 4,560 |
| Accrued wages and benefits. | 1,016,178 |
| Pension obligation payable. | 160,748 |
| Intergovernmental payable | 35,912 |
| Accrued interest payable | 101,650 |
| Long-term liabilities: | |
| Due within one year. | 491,470 |
| Due in more than one year. | 14,251,266 |
| Total liabilities | 16,061,784 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year. | 2,660,831 |
| Net Position: | |
| Net investment in capital assets | 17,222,137 |
| Restricted for: | |
| Debt service. | 262,322 |
| Capital projects | 1,165,416 |
| Classroom facilities maintenance | 45,390 |
| Locally funded programs | 3,009 |
| State funded programs. | 22,620 |
| Federally funded programs | 48,303 |
| Student activities | 13,273 |
| Food service | 147,876 |
| Unrestricted | 131,219 |
| Total net position. | \$ 19,061,565 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| | <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>Revenue and Changes in Net Position</u> |
| | | | | <u>Governmental Activities</u> |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,227,642 | \$ 714,383 | \$ 118,315 | \$ (4,394,944) |
| Special | 1,353,708 | 26,093 | 898,432 | (429,183) |
| Vocational | 159,349 | - | 35,852 | (123,497) |
| Other | 1,140,745 | - | - | (1,140,745) |
| Support services: | | | | |
| Pupil. | 351,537 | - | 52,769 | (298,768) |
| Instructional staff | 631,843 | - | 44,281 | (587,562) |
| Board of education | 15,075 | - | - | (15,075) |
| Administration. | 1,120,642 | - | 72,252 | (1,048,390) |
| Fiscal. | 442,715 | - | 63 | (442,652) |
| Operations and maintenance | 1,209,033 | - | 8,824 | (1,200,209) |
| Pupil transportation. | 810,470 | - | 17,105 | (793,365) |
| Central | 600 | - | - | (600) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 841 | - | 825 | (16) |
| Food service operations | 460,759 | 162,922 | 304,699 | 6,862 |
| Extracurricular activities. | 329,134 | 105,562 | 150 | (223,422) |
| Interest and fiscal charges | 686,512 | - | - | (686,512) |
| Total governmental activities | \$ 13,940,605 | \$ 1,008,960 | \$ 1,553,567 | (11,378,078) |

General Revenues:

| | |
|---|----------------------|
| Property taxes levied for: | |
| General purposes | 3,128,693 |
| Special revenue. | 68,300 |
| Debt service. | 924,429 |
| Capital projects. | 74,474 |
| Income taxes levied for: | |
| General purposes | 1,448,185 |
| Grants and entitlements not restricted to specific programs | |
| Investment earnings | 2,472 |
| Miscellaneous | 53,508 |
| Total general revenues | 11,086,503 |
| Change in net position | (291,575) |
| Net position at beginning of year | 19,353,140 |
| Net position at end of year. | \$ 19,061,565 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | General | Bond Retirement | Building | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|-------------------|---|---|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents | \$ 194,088 | \$ 321,733 | \$ 876,255 | \$ 543,528 | \$ 1,935,604 |
| Receivables: | | | | | |
| Property taxes | 3,108,091 | 998,239 | - | 156,045 | 4,262,375 |
| Income taxes | 498,680 | - | - | - | 498,680 |
| Accrued interest | 513 | - | - | - | 513 |
| Intergovernmental | 58,339 | - | - | 148,857 | 207,196 |
| Prepayments | 18,257 | - | - | - | 18,257 |
| Materials and supplies inventory | 3,116 | - | - | 13,200 | 16,316 |
| Due from other funds | 37,500 | 53,929 | - | 31,417 | 122,846 |
| Total assets | \$ 3,918,584 | \$ 1,373,901 | \$ 876,255 | \$ 893,047 | \$ 7,061,787 |
| Liabilities: | | | | | |
| Accounts payable | \$ 4,560 | \$ - | \$ - | \$ - | \$ 4,560 |
| Accrued wages and benefits | 901,468 | - | - | 114,710 | 1,016,178 |
| Compensated absences payable | 89,853 | - | - | - | 89,853 |
| Intergovernmental payable | 32,195 | - | - | 3,717 | 35,912 |
| Pension obligation payable | 140,679 | - | - | 20,069 | 160,748 |
| Due to other funds | 85,346 | - | - | 37,500 | 122,846 |
| Total liabilities | 1,254,101 | - | - | 175,996 | 1,430,097 |
| Deferred inflows of resources: | | | | | |
| Property taxes levied for the next fiscal year | 1,895,055 | 662,126 | - | 103,650 | 2,660,831 |
| Delinquent property tax revenue not available | 438,091 | 98,239 | - | 16,045 | 552,375 |
| Other nonexchange transactions not available | 56,765 | - | - | 43,157 | 99,922 |
| Total deferred inflows of resources | 2,389,911 | 760,365 | - | 162,852 | 3,313,128 |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Materials and supplies inventory | 3,116 | - | - | 13,200 | 16,316 |
| Prepays | 18,257 | - | - | - | 18,257 |
| Unclaimed monies | 27,009 | - | - | - | 27,009 |
| Restricted: | | | | | |
| Debt service | - | 613,536 | - | - | 613,536 |
| Capital improvements | - | - | 876,255 | 273,109 | 1,149,364 |
| Classroom facilities maintenance | - | - | - | 127,571 | 127,571 |
| Food service operations | - | - | - | 141,497 | 141,497 |
| Vocational education | - | - | - | 226 | 226 |
| Other purposes | - | - | - | 32,528 | 32,528 |
| Extracurricular | - | - | - | 13,273 | 13,273 |
| Assigned: | | | | | |
| Student instruction | 9,656 | - | - | - | 9,656 |
| Student and staff support | 2,639 | - | - | - | 2,639 |
| Subsequent year's appropriations | 205,765 | - | - | - | 205,765 |
| Public school support | 8,010 | - | - | - | 8,010 |
| Other purposes | 120 | - | - | - | 120 |
| Unassigned | - | - | - | (47,205) | (47,205) |
| Total fund balances | 274,572 | 613,536 | 876,255 | 554,199 | 2,318,562 |
| Total liabilities, deferred inflows and fund balances | \$ 3,918,584 | \$ 1,373,901 | \$ 876,255 | \$ 893,047 | \$ 7,061,787 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| | | |
|--|--------------|----------------------|
| Total governmental fund balances | | \$ 2,318,562 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 30,845,239 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Property taxes receivable | 552,375 | |
| Intergovernmental receivable | 99,922 | |
| Total | 652,297 | 652,297 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (101,650) |
| Unamortized premiums on bonds issued are not recognized in the funds. | | (323,102) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (681,931) | |
| General obligation bonds | (13,647,850) | |
| Total | (14,329,781) | (14,329,781) |
| Net position of governmental activities | | \$ 19,061,565 |

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, 2014**

| | <u>General</u> | <u>Bond Retirement</u> | <u>Building</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|----------------------------|-------------------|---|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Property taxes | \$ 3,136,284 | \$ 958,329 | \$ - | \$ 147,014 | \$ 4,241,627 |
| Income taxes | 1,448,185 | - | - | - | 1,448,185 |
| Tuition | 720,905 | - | - | - | 720,905 |
| Earnings on investments | 2,478 | - | - | - | 2,478 |
| Charges for services | - | - | - | 162,922 | 162,922 |
| Extracurricular | 24,186 | - | - | 81,376 | 105,562 |
| Classroom materials and fees | 19,571 | - | - | - | 19,571 |
| Rental income | 160 | - | - | - | 160 |
| Contributions and donations | 150 | - | - | - | 150 |
| Other local revenues | 53,198 | - | - | - | 53,198 |
| Intergovernmental - state | 5,635,031 | 138,971 | - | 30,206 | 5,804,208 |
| Intergovernmental - federal | 82,930 | - | - | 1,073,734 | 1,156,664 |
| Total revenues | 11,123,078 | 1,097,300 | - | 1,495,252 | 13,715,630 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 4,251,210 | - | 45,559 | 114,482 | 4,411,251 |
| Special | 820,898 | - | - | 515,351 | 1,336,249 |
| Vocational | 157,782 | - | - | - | 157,782 |
| Other | 1,139,090 | - | - | 1,655 | 1,140,745 |
| Support services: | | | | | |
| Pupil | 290,922 | - | - | 59,453 | 350,375 |
| Instructional staff | 594,064 | - | - | 36,669 | 630,733 |
| Board of education | 15,075 | - | - | - | 15,075 |
| Administration | 1,040,478 | - | - | 75,682 | 1,116,160 |
| Fiscal | 410,207 | 28,007 | - | 4,295 | 442,509 |
| Operations and maintenance | 1,089,153 | - | 13,785 | 105,050 | 1,207,988 |
| Pupil transportation | 789,978 | - | - | 166,813 | 956,791 |
| Central | 600 | - | - | - | 600 |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | - | - | - | 841 | 841 |
| Food service operations | - | - | - | 442,302 | 442,302 |
| Extracurricular activities | 223,310 | - | - | 77,920 | 301,230 |
| Facilities acquisition and construction | - | - | 199,016 | 2,855 | 201,871 |
| Debt service: | | | | | |
| Principal retirement | - | 330,000 | - | - | 330,000 |
| Interest and fiscal charges | - | 622,450 | - | - | 622,450 |
| Total expenditures | 10,822,767 | 980,457 | 258,360 | 1,603,368 | 13,664,952 |
| Net change in fund balances | 300,311 | 116,843 | (258,360) | (108,116) | 50,678 |
| Fund balances (deficit) beginning of year | (25,739) | 496,693 | 1,134,615 | 662,315 | 2,267,884 |
| Fund balances at end of year | \$ 274,572 | \$ 613,536 | \$ 876,255 | \$ 554,199 | \$ 2,318,562 |

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, 2014**

Net change in fund balances - total governmental funds \$ 50,678

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

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.

| | | |
|---------------------------|------------------|------------------|
| Capital asset additions | 363,079 | |
| Current year depreciation | (837,564) | |
| Total | (474,485) | (474,485) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|---------------------------|-----------------|-----------------|
| Property taxes | (45,731) | |
| Intergovernmental revenue | (11,406) | |
| Earnings on investments | (6) | |
| Total | (57,143) | (57,143) |

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:

| | | |
|---|-----------------|-----------------|
| Decrease in accrued interest payable | 1,904 | |
| Accreted interest on capital appreciation bonds | (80,433) | |
| Amortization of bond premiums | 14,467 | |
| Total | (64,062) | (64,062) |

Principal payment on bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

330,000

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.

(76,563)

Change in net position of governmental activities **\$ (291,575)**

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, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 3,115,889 | \$ 2,949,353 | \$ 2,949,354 | \$ 1 |
| Income taxes | 1,470,000 | 1,484,685 | 1,484,685 | - |
| Tuition | 803,077 | 757,244 | 720,905 | (36,339) |
| Earnings on investments | 2,000 | 2,000 | 1,965 | (35) |
| Classroom materials and fees | 20,200 | 20,200 | 19,571 | (629) |
| Rental income | 500 | 500 | 160 | (340) |
| Other local revenues | 8,800 | 45,000 | 44,391 | (609) |
| Intergovernmental - state | 5,542,376 | 5,482,985 | 5,633,457 | 150,472 |
| Intergovernmental - federal | 20,500 | 59,000 | 82,930 | 23,930 |
| Total revenues | <u>10,983,342</u> | <u>10,800,967</u> | <u>10,937,418</u> | <u>136,451</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,461,021 | 4,385,715 | 4,298,471 | 87,244 |
| Special | 706,581 | 817,853 | 807,835 | 10,018 |
| Vocational | 165,051 | 159,656 | 154,314 | 5,342 |
| Other | 1,135,596 | 1,131,416 | 1,145,090 | (13,674) |
| Support services: | | | | |
| Pupil | 292,744 | 307,315 | 288,540 | 18,775 |
| Instructional staff | 617,383 | 633,410 | 613,120 | 20,290 |
| Board of education | 18,327 | 17,007 | 14,988 | 2,019 |
| Administration | 1,029,980 | 1,009,856 | 994,740 | 15,116 |
| Fiscal | 462,981 | 446,126 | 458,734 | (12,608) |
| Operations and maintenance | 1,023,626 | 1,012,162 | 1,103,701 | (91,539) |
| Pupil transportation | 824,071 | 777,489 | 800,489 | (23,000) |
| Central | 502 | 720 | 600 | 120 |
| Extracurricular activities | 220,944 | 218,482 | 197,202 | 21,280 |
| Total expenditures | <u>10,958,805</u> | <u>10,917,209</u> | <u>10,877,824</u> | <u>39,385</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>24,537</u> | <u>(116,242)</u> | <u>59,594</u> | <u>175,836</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | 27,442 | 27,442 | - |
| Total other financing sources (uses) | <u>-</u> | <u>27,442</u> | <u>27,442</u> | <u>-</u> |
| Net change in fund balance | 24,537 | (88,800) | 87,036 | 175,836 |
| Fund balance at beginning of year | 46,909 | 46,909 | 46,909 | - |
| Prior year encumbrances appropriated | 45,649 | 45,649 | 45,649 | - |
| Fund balance at end of year | <u>\$ 117,095</u> | <u>\$ 3,758</u> | <u>\$ 179,594</u> | <u>\$ 175,836</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

| | Private-Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 5,486 | \$ 21,871 |
| Total assets. | 5,486 | \$ 21,871 |
| Liabilities: | | |
| Due to students. | - | \$ 21,871 |
| Total liabilities | - | \$ 21,871 |
| Net position: | | |
| Held in trust for scholarships | 5,486 | |
| Total net position. | \$ 5,486 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Private-Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 47 |
| Deductions: | |
| Scholarships awarded | 800 |
| Change in net position | (753) |
| Net position at beginning of year. | 6,239 |
| Net position at end of year | \$ 5,486 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

Current enrollment as of June 30, 2014 was 1,164. The District employed 84 certified employees and 37 noncertified 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2014
(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 2014, the District paid \$74,680 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 2014.

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, 2014
(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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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 - The bond retirement fund is used to account for financial resources and expenditures restricted for principal and interest for general obligation bonds.

Building fund - The building 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's 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, 2014
(Continued)**

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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.

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 6). Revenue from income taxes is recognized in the period in which the income is earned (See Note 10). 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 and grants.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes, and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources. The District had no deferred outflow of resources at June 30, 2014.

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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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 2014 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.
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 2014.
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 2014.
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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for the general fund.

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".

During fiscal year 2014, investments were limited to non-negotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposits, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

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 2014 amounted to \$2,478, which includes \$2,164 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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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 on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance 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.

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 position, 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 \$5,000. 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 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:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| 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 "due to/from other funds." These amounts are eliminated in the governmental activities column on the statement of net position.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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.

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, 2014, 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, 2014 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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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. Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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. The District had neither item during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---------------------------|----------------|
| IDEA Part B | \$ 22,664 |
| Title I | 22,637 |
| Improving Teacher Quality | 1,904 |

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 resulted from adjustments for accrued liabilities.

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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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.

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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 \$150 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, 2014, the carrying amount of all District deposits was \$1,920,811. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,847,420 of the District's bank balance of \$2,100,423 was exposed to custodial risk as discussed below, while \$253,003 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.

C. Investments

As of June 30, 2014, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities 6 months or less</u> |
|------------------------|-------------------|---|
| STAR Ohio | \$ 42,000 | \$ 42,000 |
| Total | <u>\$ 42,000</u> | <u>\$ 42,000</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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: 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 rating service. The District's investment policy does not specifically address credit risk beyond requiring the district to only invest in securities authorized by State Statute.

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 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, 2014:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$ 42,000 | 100.00 |
| Total | <u>\$ 42,000</u> | <u>100.00</u> |

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 1,920,811 |
| Investments | 42,000 |
| Cash on hand | <u>150</u> |
| Total | <u>\$ 1,962,961</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 1,935,604 |
| Private-purpose trust funds | 5,486 |
| Agency funds | <u>21,871</u> |
| Total | <u>\$ 1,962,961</u> |

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2014 as reported on the fund statements consist of the following due to/from other funds:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| General fund | Nonmajor governmental funds | \$ 37,500 |
| Bond retirement fund | General fund | 53,929 |
| Nonmajor governmental funds | General fund | 31,417 |
| | | <u>\$ 122,846</u> |

The primary purpose of the interfund balances is 1) to cover negative cash balances in specific funds where revenues were requested, but were not received by June 30, and 2) to record amounts owed by the General fund. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives taxes from Marion, Richland, and Morrow Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$774,945 in the general fund, \$237,874 in the bond retirement fund and \$36,350 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$588,015 in the general fund, \$179,200 in the bond retirement fund and \$26,905 in the permanent improvement fund (a nonmajor governmental 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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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 deferred inflows of resources.

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 reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2014 taxes were collected are:

| | 2013 Second Half Collections | | 2014 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 153,606,370 | 95.45 | \$ 160,205,050 | 94.92 |
| Public utility personal | <u>7,329,820</u> | <u>4.55</u> | <u>8,570,830</u> | <u>5.08</u> |
| Total | <u>\$ 160,936,190</u> | <u>100.00</u> | <u>\$ 168,775,880</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 34.54 | | \$ 34.54 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 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 position follows:

Governmental activities:

| | |
|-------------------|---------------------|
| Property taxes | \$ 4,262,375 |
| Income taxes | 498,680 |
| Intergovernmental | 207,196 |
| Accrued interest | <u>513</u> |
| Total | <u>\$ 4,968,764</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

| | <u>Balance</u> <u>06/30/13</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>06/30/14</u> |
|---|-----------------------------------|---------------------|------------------|-----------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 139,000 | \$ - | \$ - | \$ 139,000 |
| Total capital assets, not being depreciated | <u>139,000</u> | <u>-</u> | <u>-</u> | <u>139,000</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 449,751 | 141,965 | - | 591,716 |
| Buildings and improvements | 31,250,515 | - | - | 31,250,515 |
| Furniture and equipment | 680,439 | 65,379 | - | 745,818 |
| Vehicles | <u>1,332,934</u> | <u>155,735</u> | <u>-</u> | <u>1,488,669</u> |
| Total capital assets, being depreciated | <u>33,713,639</u> | <u>363,079</u> | <u>-</u> | <u>34,076,718</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (149,675) | (19,086) | - | (168,761) |
| Buildings and improvements | (1,269,682) | (676,513) | - | (1,946,195) |
| Furniture and equipment | (231,415) | (53,454) | - | (284,869) |
| Vehicles | <u>(882,143)</u> | <u>(88,511)</u> | <u>-</u> | <u>(970,654)</u> |
| Total accumulated depreciation | <u>(2,532,915)</u> | <u>(837,564)</u> | <u>-</u> | <u>(3,370,479)</u> |
| Governmental activities capital assets, net | <u>\$ 31,319,724</u> | <u>\$ (474,485)</u> | <u>\$ -</u> | <u>\$ 30,845,239</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 763,612 |
| <u>Support services:</u> | |
| Administration | 1,572 |
| Operations and maintenance | 15,010 |
| Pupil transportation | 10,737 |
| Extracurricular activities | 27,904 |
| Food service operations | <u>18,729</u> |
| Total depreciation expense | <u>\$ 837,564</u> |

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

| Governmental activities: | Balance | | | Balance | |
|-----------------------------------|------------------------------|-------------------|---------------------|------------------------------|-------------------------------|
| | Outstanding June 30, 2013 | Additions | Reductions | Outstanding June 30, 2014 | Amounts Due in One Year |
| General obligation bonds | \$ 13,897,417 | \$ 80,433 | \$ (330,000) | \$ 13,647,850 | \$ 355,000 |
| Compensated absences | 632,542 | 223,285 | (84,043) | 771,784 | 136,470 |
| Total governmental activities | <u>\$ 14,529,959</u> | <u>\$ 303,718</u> | <u>\$ (414,043)</u> | 14,419,634 | <u>\$ 491,470</u> |
| Add: Unamortized premium on bonds | | | | 323,102 | |
| Total | | | | <u>\$ 14,742,736</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, 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 \$347,850 has been included in the statement of net position at June 30, 2014.

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. As of June 30, 2014, the total cost of the Construction Project is \$33,346,611, of which OSFC paid \$20,411,919.

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 position. 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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2014 on the 2008 series bonds:

| | Balance <u>June 30, 2013</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2014</u> |
|------------------------------|---------------------------------|------------------|---------------------|---------------------------------|
| Current interest bonds - | | | | |
| 2008 Series | \$ 13,305,000 | \$ - | \$ (330,000) | \$ 12,975,000 |
| Capital appreciation bonds - | | | | |
| 2008 Series | 325,000 | - | - | 325,000 |
| Capital appreciation bonds - | | | | |
| Accreted Interest | <u>267,417</u> | <u>80,433</u> | <u>-</u> | <u>347,850</u> |
| Total | <u>\$ 13,897,417</u> | <u>\$ 80,433</u> | <u>\$ (330,000)</u> | <u>\$ 13,647,850</u> |

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

| Fiscal Year <u>Ending June 30,</u> | <u>Current Interest Bonds</u> | | | <u>Capital Appreciation Bonds</u> | | |
|---------------------------------------|-------------------------------|---------------------|----------------------|-----------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2015 | \$ 355,000 | \$ 610,018 | \$ 965,018 | \$ - | \$ - | \$ - |
| 2016 | 405,000 | 595,768 | 1,000,768 | - | - | - |
| 2017 | 435,000 | 579,475 | 1,014,475 | - | - | - |
| 2018 | 470,000 | 561,375 | 1,031,375 | - | - | - |
| 2019 | 485,000 | 539,850 | 1,024,850 | - | - | - |
| 2020 - 2024 | 1,045,000 | 1,388,118 | 2,433,118 | 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> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 12,975,000</u> | <u>\$ 7,758,262</u> | <u>\$ 20,733,262</u> | <u>\$ 325,000</u> | <u>\$ 1,205,000</u> | <u>\$ 1,530,000</u> |

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 effects of these debt limitations at June 30, 2014, are a voted debt margin of \$2,503,365 (including available funds of \$613,536) and an unvoted debt margin of \$168,776.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 - 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 2014 was \$1,448,185.

NOTE 11 - 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).

NOTE 12 - 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 2014, the District retained property insurance coverage, underwritten by Netherlands Insurance, a Division of Liberty Mutual Insurance, in the blanket amount of \$41,709,905 with 100% coinsurance, replacement cost and agreed amount 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 \$116,003 with a \$500 deductible for coverage of audio visual equipment, musical instruments, band uniforms, mobile maintenance equipment and miscellaneous property.

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

Indiana Insurance is the Division of Liberty Mutual Insurance Group which provides Excess Umbrella Liability coverage in the amount of \$2,000,000 written over the underlying limit of \$1,000,000 applicable to each of the following: Commercial, General Liability, Auto Liability, Employee Benefits Liability, School Leaders Errors and Omissions Liability, Sexual Misconduct/Molestation Liability, and Employers Stop Gap Liability. Each of the sub limit liability coverages have applicable aggregate limits ranging from \$1,000,000 to \$3,000,000.

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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 12 - RISK MANAGEMENT - (Continued)

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 \$10/25/40 per prescription deductible for PCS drugs and a \$20/50/80 per prescription deductible for mail-order 3 month supply of drugs. The total monthly premium for the medical and prescription drug plan is \$540 for single coverage and \$1,362 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 \$42.10 for single and \$108.22 for family coverage.

The District also provides vision coverage for its employees with no deductible coverage. The total monthly premium is \$20.74 for single or family coverage.

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

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.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 12 - RISK MANAGEMENT - (Continued)

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Comp Management 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 (\$50,000 for the treasurer) and a \$250 deductible with a faithful performance endorsement.

NOTE 13 - 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, disability, survivor 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, under "Employers/Audit Resources".

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$168,502, \$165,406 and \$172,250, respectively; 80.73 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, under "Publications".

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 13 - PENSION PLANS - (Continued)

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 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$614,584, \$627,872 and \$676,845, respectively; 86.41 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$13,788 made by the District and \$10,833 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 14 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$25,592, \$24,091 and \$28,263, respectively; 80.73 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (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 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$9,776, \$9,344 and \$10,172, respectively; 80.73 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, under "Publications" 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 2014, 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, 2014, 2013 and 2012 were \$47,276, \$48,298 and \$52,065, respectively; 86.41 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (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 revenue, 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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:

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 87,036 |
| Net adjustment for revenue accruals | 160,437 |
| Net adjustment for expenditure accruals | 64,202 |
| Net adjustment for other sources/uses | (27,442) |
| Funds budgeted elsewhere | (777) |
| Adjustment for encumbrances | <u>16,855</u> |
| GAAP basis | <u>\$ 300,311</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, unclaimed monies, and the public school support fund.

NOTE 16 - 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.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 17 - SET-ASIDES – (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2013 | \$ - |
| Current year set-aside requirement | 193,500 |
| Current year qualifying expenditures | (352,601) |
| Total | <u>\$ (159,101)</u> |
| Balance carried forward to fiscal year 2015 | <u>\$ -</u> |
| Set-aside balance June 30, 2014 | <u>\$ -</u> |

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| | Year-End |
|--------------------|---------------------|
| <u>Fund</u> | <u>Encumbrances</u> |
| General fund | \$ 12,295 |
| Other governmental | <u>701</u> |
| Total | <u>\$ 12,996</u> |

NOTE 19 – SUBSEQUENT EVENT

On August 1, 2014, Tammi Cowell became Treasurer of the District.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Receipts | Expenditures |
|--|------------------------------------|----------------------------|----------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution) | | | |
| National School Lunch Program | 10.555 | \$ 34,780 | \$ 34,780 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 66,707 | 66,707 |
| National School Lunch Program | 10.555 | 215,678 | 215,678 |
| Total Child Nutrition Cluster | | <u>282,385</u> | <u>282,385</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>317,165</u> | <u>317,165</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 407,810 | 403,761 |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 226,345 | 212,890 |
| Twenty-First Century Community Learning Centers | 84.287 | 135,031 | 114,293 |
| Rural Education | 84.358 | 11,674 | 3,828 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | 22,580 | 32,534 |
| Improving Teacher Quality State Grants | 84.367 | 66,072 | 58,228 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | <u>869,512</u> | <u>825,534</u> |
| TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES | | <u>\$ 1,186,677</u> | <u>\$ 1,142,699</u> |

The accompanying notes are an integral part of this schedule.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the 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 benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northmor Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 29, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

July 29, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Northmor Local School District, Morrow County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275

www.ohioauditor.gov

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-002. This finding did not require us to modify our compliance opinion on each of the major federal programs.

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

July 29, 2015

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | CFDA #84.010 - Title I Grants to Local Educational Agencies <u>Child Nutrition Cluster</u> CFDA #10.555 – National School Lunch Program CFDA #10.553 – School Breakfast Program |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

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

| | |
|-----------------------|----------|
| Finding Number | 2014-001 |
|-----------------------|----------|

Material Noncompliance / Material Weakness – Maintenance Fund

Section IV(B) of the Classroom Facilities Assistance Program Project Agreement (the Project Agreement) between the Ohio School Facilities Commission (the Commission) and the District states that the District shall submit to the Commission for approval a plan for the preventative maintenance of each completed facility according to procedures specified by the Commission. The District acknowledges that: 1) allowable uses for the maintenance fund shall be the maintenance and repair of the completed facilities, including preventative maintenance, periodic repairs, and the replacement of facility components; 2) that routine janitorial and utility costs, equipment supplies and personnel associated with the day-to-day housekeeping and site upkeep per normal and customary standards are not allowable expenditures under the parameters of the maintenance plan; and 3) that the actual use of the maintenance fund, according to the terms of the approved Maintenance Plan, is subject to audit.

During fiscal year 2014, the District charged 100% of the Maintenance Supervisor’s salary and benefits (\$76,466) to the Maintenance Fund. However, the District was unable to provide support for time spent on allowable items included in the Maintenance Plan versus time spent on unallowable day-to-day housekeeping and site upkeep per normal and customary standards.

The District has agreed to, and posted adjustments in the financial statements and accounting ledgers to record the \$76,466 in salaries and wages in the General Fund rather than the Maintenance Fund.

We recommend the District closely monitor the Maintenance Fund to ensure the items charged to the fund are in accordance with the Maintenance Plan.

Officials’ Response:

The Treasurer has posted the adjustment for FY14 of \$76,466.19 (Maintenance Salary & Benefits) to the General Fund (001) instead of the Maintenance Fund (034). The Treasurer will charge these salaries and benefits to the proper account going forward and will closely monitor the Maintenance Fund to ensure items charged to this fund are in accordance with the Maintenance Plan.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

| | |
|------------------------------------|---|
| Finding Number | 2014-002 |
| CFDA Title and Number | School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 |
| Federal Award Number / Year | FY 2014 |
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

Material Noncompliance – Federal Awards Receipts and Expenditures Schedule

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Also, the Ohio Department of Education requires Ohio schools to present receipts from federal awards on the schedule of federal awards.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| |
|---|
| 3. FINDINGS FOR FEDERAL AWARDS (Continued) |
|---|

Material Noncompliance – Federal Awards Receipts and Expenditures Schedule (Continued)

The original schedule of federal awards receipts and expenditures (the Schedule) prepared by the District for fiscal year 2014 required the following modifications:

| Grant | Receipts Originally Reported | Receipts after Adjustments | Expenditures Originally Reported | Expenditures after Adjustments |
|--|------------------------------------|----------------------------------|--|--------------------------------------|
| CFDA # 10.553 – School Breakfast Program | \$0 | \$66,707 | \$0 | \$66,707 |
| CFDA #10.555 – National School Lunch Program | \$450,727 | \$215,678 | \$425,280 | \$215,678 |

Failure to identify federal awards and accurately prepare a schedule of federal awards receipts and expenditures may result in noncompliance with the Circular and may compromise the District's ability to obtain federal awards in the future.

The District has made these adjustments to the federal awards receipts and expenditures schedule.

We recommend the District implement procedures to track and readily identify the receipt and disbursement of all federal awards. The District should use this information to ensure accurate preparation of the federal awards receipts and expenditures schedule at year end.

Officials' Response:

The Treasurer will implement procedures to properly track and identify the receipt and disbursement of all federal awards and will use this information to ensure accurate preparation of the federal awards receipts and expenditures schedule at year end. Also, see Corrective Action Plan on following page.

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2014-002 | Treasurer will properly track and identify receipts and disbursements for School Breakfast and Lunch Program and prepare the Federal Awards Receipts and Expenditures Schedule accurately at year end. | 2015 | Northmor Treasurer |

**NORTHMOR LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2013-001 | Finding for Adjustment / Material Weakness – Revenue Posting | Yes | |
| 2013-002 | Federal Awards Receipts and Expenditures Schedule – Material Noncompliance | No | Not corrected – comment is being repeated as Finding 2014-002. |



Dave Yost • 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
SEPTEMBER 1, 2015**