



**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Lebanon Local School District, Montgomery County, (the District) as of and for the years ended June 30, 1999 and 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the New Lebanon Local School District, Montgomery County, as of June 30, 1999 and 1998, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

January 18, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash, Cash Equivalents	\$626,543	\$139,129	\$214,584	\$683,162
Cash with Fiscal Agent			159	
Investments	500,000			
Receivables (net of allowances of uncollectibles):				
Taxes – Current & Delinquent	2,252,338		95,521	100,655
Accounts	4,155	1,701		
Accrued Interest	7,677			
Interfund Loan Receivable				
Prepayments	18,174			
Materials and Supplies Inventory	10,957			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	79,898			
Property, Plant and Equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>\$3,499,742</u>	<u>\$140,830</u>	<u>\$310,264</u>	<u>\$783,817</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$34,135	\$28,531			\$1,726,084
				\$159
				\$500,000
				2,448,514
				5,856
				7,677
25,000				25,000
				18,174
9,482				20,439
				79,898
19,252		\$15,478,914		15,498,166
			218,080	218,080
			1,027,624	1,027,624
<u>\$87,869</u>	<u>\$28,531</u>	<u>\$15,478,914</u>	<u>\$1,245,704</u>	<u>\$21,575,671</u>

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$38,337	\$14,247		
Accrued Wages and Benefits	752,165	24,050		
Compensated Absences Payable	5,048	402		
Interfund Loan Payable	25,000			
Pension Obligation Payable	113,220	2,408		
Deferred Revenue	1,775,616		92,025	97,181
Due to Students				
Matured Interest Payable			159	
General Obligation Bonds Payable				
Energy Conservation Notes Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,709,386</u>	<u>41,107</u>	<u>92,184</u>	<u>97,181</u>
Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings – Unreserved				
Fund Balances:				
Reserved for Encumbrances	104,341	2,513		47,759
Reserved for Supplies Inventory	10,957			
Reserved for Prepayments	18,174			
Reserved for Debt Service			214,584	
Reserved for Tax Revenue Unavailable for Appropriation	65,308		3,496	3,474
Reserved for Budget Stabilization	79,898			
Unreserved-Undesignated	511,678	97,210		635,403
	<hr/>	<hr/>	<hr/>	<hr/>
Total Equity and Other Credits	<u>790,356</u>	<u>99,723</u>	<u>218,080</u>	<u>686,636</u>
Total Liabilities, Equity and Other Credits	<u><u>\$3,499,742</u></u>	<u><u>\$140,830</u></u>	<u><u>\$310,264</u></u>	<u><u>\$783,817</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$5,018				\$57,602
19,804				796,019
20,251			\$447,589	473,290
				25,000
21,814			56,402	193,844
2,203				1,967,025
	28,531			28,531
				159
			540,000	540,000
			201,713	201,713
<u>69,090</u>	<u>28,531</u>		<u>1,245,704</u>	<u>4,283,183</u>
		\$15,478,914		15,478,914
18,779				18,779
				154,613
				10,957
				18,174
				214,584
				72,278
				79,898
				<u>1,244,291</u>
<u>18,779</u>	<u>0</u>	<u>15,478,914</u>		<u>17,292,488</u>
<u>\$87,869</u>	<u>\$28,531</u>	<u>\$15,478,914</u>	<u>\$1,245,704</u>	<u>\$21,575,671</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From Local Sources:					
Taxes	\$2,583,072		\$88,181	\$93,540	\$2,764,793
Tuition	25,823				25,823
Earnings on Investments	113,038				113,038
Other Local Revenues	220,979	\$125,430			346,409
Intergovernmental - State	4,847,121	44,996	11,849	611,764	5,515,730
Intergovernmental - Federal		318,205			318,205
Total Revenue	<u>7,790,033</u>	<u>488,631</u>	<u>100,030</u>	<u>705,304</u>	<u>9,083,998</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,633,283	312,303		120,023	4,065,609
Special	511,777	118,520			630,297
Vocational	160,498				160,498
Other	62,499				62,499
Support Services:					
Pupil	341,928	4,492			346,420
Instructional Staff	266,383	15,636			282,019
Board of Education	139,441				139,441
Administration	730,257	11,228			741,485
Fiscal	146,214				146,214
Business	61,593	42,127			103,720
Operations and Maintenance	757,379				757,379
Pupil Transportation	529,990	916			530,906
Central		5,187			5,187
Community Services		462			462
Extracurricular Activities	126,117	99,956			226,073
Facilities Services	34,206			144,239	178,445
Debt Service:					
Principal Retirement			93,388		93,388
Interest and Fiscal Charges			50,582		50,582
Total Expenditures	<u>7,501,565</u>	<u>610,827</u>	<u>143,970</u>	<u>264,262</u>	<u>8,520,624</u>
Excess (Deficiency) of Revenues over/ (under) Expenditures	288,468	(122,196)	(43,940)	441,042	563,374
Other Financing Sources/(Uses):					
Operating Transfers In			60,298		60,298
Operating Transfers Out	(65,298)				(65,298)
Proceeds from Sale of Assets	300				300
Total Other Financing Sources/(Uses)	<u>(64,998)</u>	<u>0</u>	<u>60,298</u>	<u>0</u>	<u>(4,700)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over/(under) Expenditures and Other Financing (Uses)	223,470	(122,196)	16,358	441,042	558,674
Fund Balance, July 1	565,879	221,919	201,722	245,594	1,235,114
Increase in Reserve for Inventory	1,007				1,007
Fund Balance, June 30	<u><u>\$790,356</u></u>	<u><u>\$99,723</u></u>	<u><u>\$218,080</u></u>	<u><u>\$686,636</u></u>	<u><u>\$1,794,795</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,1999**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From Local Sources:						
Taxes	\$2,178,020	\$2,210,695	\$32,675			
Tuition	23,500	27,030	3,530			
Earnings on Investments	122,000	114,621	(7,379)			
Other Local Revenues	6,000	3,968	(2,032)	\$122,934	\$124,423	\$1,489
Intergovernmental - State	4,913,394	4,855,131	(58,263)	44,996	44,996	0
Intergovernmental - Federal				315,971	318,206	2,235
Total Revenues	7,242,914	7,211,445	(31,469)	483,901	487,625	3,724
Expenditures:						
Current:						
Instruction:						
Regular	3,758,107	3,579,058	179,049	324,029	313,932	10,097
Special	570,000	495,449	74,551	140,429	112,799	27,630
Vocational	203,000	168,895	34,105			
Other	90,000	79,667	10,333			
Support Services:						
Pupil	421,005	320,457	100,548	7,252	5,645	1,607
Instructional Staff	292,000	261,108	30,892	20,598	13,705	6,893
Board of Education	158,625	141,391	17,234			
Administration	799,739	693,575	106,164	16,757	12,336	4,421
Fiscal	206,071	159,677	46,394			
Business	86,726	62,686	24,040	82,891	42,340	40,551
Operations and Maintenance	1,050,375	793,039	257,336	925	916	9
Pupil Transportation	620,227	519,454	100,773			
Central	40,000		40,000	9,665	4,867	4,798
Community Services				1,786	462	1,324
Extracurricular Activities	154,000	125,850	28,150	129,068	102,368	26,700
Facilities Services	132,999	126,383	6,616			
Debt Service:						
Principal Retirement	49,500	48,388	1,112			
Interest and Fiscal Charges	12,500	11,910	590			
Total Expenditures	8,644,874	7,586,987	1,057,887	733,400	609,370	124,030
Excess (Deficiency) of Revenues over/(under) Expenditures	<u>(1,401,960)</u>	<u>(375,542)</u>	<u>1,026,418</u>	<u>(249,499)</u>	<u>(121,745)</u>	<u>127,754</u>
Other Financing Sources/(Uses):						
Proceeds of Sale of Fixed Assets		300	300			
Advances In		25,000	25,000			
Refund of Prior Year's Expenditures	156,000	213,311	57,311			0
Refund of Prior Year's (Receipts)	(5,000)	(5,000)	0			0
Operating Transfers (Out)	(5,000)	(5,000)	0			0
Total Other Financing Sources/(Uses)	146,000	228,611	82,611	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources over/(under) Expenditures and Other Financing (Uses)	<u>(1,255,960)</u>	<u>(146,931)</u>	<u>1,109,029</u>	<u>(249,499)</u>	<u>(121,745)</u>	<u>127,754</u>
Fund Balance, July 1	1,000,465	1,000,465	0	239,467	239,467	0
Prior Year Encumbrances Appropriated	230,495	230,495	0	4,646	4,646	0
Fund Balance, June 30	(\$25,000)	\$1,084,029	\$1,109,029	(\$5,386)	\$122,368	\$127,754

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$89,800	\$90,271	\$471	\$94,800	\$95,618	\$818	\$2,362,620	\$2,396,584	\$33,964
						23,500	27,030	3,530
						122,000	114,621	(7,379)
						128,934	128,391	(543)
10,934	11,849	915	160,763	611,764	451,001	5,130,087	5,523,740	393,653
						315,971	318,206	2,235
100,734	102,120	1,386	255,563	707,382	451,819	8,083,112	8,508,572	425,460
			220,883	150,512	70,371	4,303,019	4,043,502	259,517
						710,429	608,248	102,181
						203,000	168,895	34,105
						90,000	79,667	10,333
						428,257	326,102	102,155
						312,598	274,813	37,785
						158,625	141,391	17,234
						816,496	705,911	110,585
						206,071	159,677	46,394
						169,617	105,026	64,591
						1,051,300	793,955	257,345
						620,227	519,454	100,773
						49,665	4,867	44,798
						1,786	462	1,324
						283,068	228,218	54,850
			332,795	223,714	109,081	465,794	350,097	115,697
100,000	45,000	55,000				149,500	93,388	56,112
196,870	38,672	158,198				209,370	50,582	158,788
296,870	83,672	213,198	553,678	374,226	179,452	10,228,822	8,654,255	1,574,567
(196,136)	18,448	214,584	(298,115)	333,156	631,271	(2,145,710)	(145,683)	2,000,027
						0	300	300
						0	25,000	25,000
						156,000	213,311	57,311
						(5,000)	(5,000)	0
						(5,000)	(5,000)	0
0	0	0	0	0	0	146,000	228,611	82,611
(196,136)	18,448	214,584	(298,115)	333,156	631,271	(1,999,710)	82,928	2,082,638
196,136	196,136	0	223,848	223,848	0	1,659,916	1,659,916	0
			78,399	78,399	0	313,540	313,540	0
\$0	\$214,584	\$214,584	\$4,132	\$635,403	\$631,271	(\$26,254)	\$2,056,384	\$2,082,638

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Revenues:	
Tuition and Fees	\$43,763
Sales/Charges for Services	<u>227,585</u>
Total Operating Revenues	271,348
Operating Expenses:	
Personal Services	184,353
Contract Services	4,392
Materials and Supplies	207,146
Depreciation	<u>3,323</u>
Total Operating Expenses	399,214
Operating Loss	(127,866)
Nonoperating Revenues	
Operating Grants	81,125
Federal Commodities	19,924
Interest Revenue	<u>779</u>
Total Nonoperating Revenues	<u>101,828</u>
Net Loss Before Operating Transfers	(26,038)
Operating Transfers In	<u>5,000</u>
Net Loss	(21,038)
Retained Earnings, July 1	<u>39,817</u>
Retained Earnings, June 30	<u><u>\$18,779</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash Flows from Operating Activities:	
Cash Received from Tuition and Fees	\$45,800
Cash Received from Sales/Service Charges	227,585
Cash Payments for Personal Services	(186,871)
Cash Payments for Contract Services	(4,392)
Cash Payments for Supplies and Materials	<u>(190,460)</u>
Net Cash Used in Operating Activities	(108,338)
 Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	81,125
Cash Received from Interfund Loans	5,000
Cash Payments Used in Repayment of Interfund Loans	<u>(25,000)</u>
Net Cash Provided by Noncapital Financing Activities	61,125
 Cash Flows from Investing Activities:	
Interest Received	<u>779</u>
Net Cash Provided by Investing Activities	779
Net Increase in Cash and Cash Equivalents	(46,434)
Cash and Cash Equivalents at Beginning of Year	<u>80,569</u>
Cash and Cash Equivalents at End of Year	<u><u>\$34,135</u></u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(\$127,866)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	3,323
Federal Donated Commodities	19,924
Changes in Assets and Liabilities:	
Increase in Supplies Inventory	(1,096)
Decrease in Accounts Receivable	2,037
Increase in Accounts Payable	747
Increase in Accrued Wages & Benefits	(277)
Increase in Compensated Absences Payable	4,139
Decrease in Pension Obligation Payable	(6,380)
Decrease in Deferred Revenue	<u>(2,889)</u>
 Net Cash Used in Operating Activities	<u><u>(\$108,338)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The New Lebanon Local School District (the "District") is located in west-central Montgomery County, including all of the Village of New Lebanon, and portions of surrounding townships. The District serves an area of approximately 39 square miles.

The District was organized in 1922, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 68 non-certified and 91 (including administrative) certified full-time and part-time employees to provide services to approximately 1,464 students in grades K through 12 and various community groups, which ranks it 384th out of approximately 612 school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations described due to their relationship to the District.

Jointly Governed Organizations:

Miami Valley Career Tech Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Board is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

A. The Reporting Entity (Continued)

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's General fund. Financial information may be obtained from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental funds. The following are the District's Governmental fund Types:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds and Trust funds).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

B. Fund Accounting (Continued)

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

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

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency funds. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

C. Measurement Focus/Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, 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 expressed 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 Montgomery County Budget Commission for tax rate determination.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

D. Budgets (Continued)

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 June 30, 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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) 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 appropriation or alter total function appropriations within a fund, or alter object appropriations within functions 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. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation 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. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

<u>Fund</u>	<u>Increase</u>	<u>Decrease</u>
General		\$(135,000)
Special Revenue	\$156,302	
Capital Projects		(489,632)
Enterprise		(3,240)
Agency		(605)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

D. Budgets (Continued)

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 12.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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" (both unrestricted and restricted) on the combined balance sheet.

During 1999, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 1999 totaled \$113,038, which included \$49,823 assigned from other funds of the District.

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

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Title VI-B
Title I
Title VI
Drug-Free School
Instructional Materials Subsidy

Capital Project Funds

School Net
Technology Equity
Emergency Building Repair
Interactive Video Distance Learning

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education

Special Revenue Fund

Perkins Vocational Grant

Proprietary Funds

National School Lunch Program
National School Milk Program
Adult Education

Grants and entitlements amounted to over 62% of the District's operating revenue during the 1999 fiscal year.

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, prepaids, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

K. Compensated Absences (Continued)

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

L. Interfund Transactions (Continued)

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

M. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$27,069	\$27,069
Current year set-aside requirement	105,659	105,659	52,829	264,147
Current year offsets	0	0	0	0
Qualifying disbursements	<u>(202,621)</u>	<u>(149,074)</u>	<u>0</u>	<u>(351,695)</u>
Total	<u>(96,962)</u>	<u>(43,415)</u>	<u>79,898</u>	<u>(60,479)</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$79,898</u>	<u>\$79,898</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$79,898</u>
Total restricted assets	<u>\$79,898</u>

N. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

Q. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

R. Estimates

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

S. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Management Information Systems	\$ (464)
Title VI-B	(8,245)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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 division (1) or (2) 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agent: At year end, \$159 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$1,684,942 and the bank balance was \$1,827,159 (both amounts include \$1,800,000 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$127,159 was covered by federal deposit insurance.
2. \$1,700,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category of Risk 3	Fair Value
Repurchase Agreement	<u>\$621,199</u>	<u>\$621,199</u>
Total Investments	<u>\$621,199</u>	<u>\$621,199</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9 Investments of the Cash Management Pool:	\$1,805,982	\$500,000
Repurchase Agreement	(621,199)	621,199
Certificates of Deposit	500,000	(500,000)
Cash with Fiscal Agent	159	
GASB Statement No. 3	<u>\$1,684,942</u>	<u>\$621,199</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 1999:

Fund	Transfers In	Transfers (Out)
General Fund		\$(65,298)
Debt Service Fund	\$60,298	
<u>Enterprise Funds</u>		
Adult Education	5,000	
Totals	<u>\$65,298</u>	<u>\$(65,298)</u>

B. Interfund Loans Payable/Receivable

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans (Payable)
General Fund		\$(25,000)
<u>Enterprise Fund</u>		
Food Service	\$25,000	
Total Interfund Loans	<u>\$25,000</u>	<u>\$(25,000)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$75,957,741. Agricultural/Residential and public utility real estate represented 85.60% or \$65,019,350 of this total; Commercial & Industrial real estate represented 7.43% or \$5,646,360; public utility tangible 5.54% or \$4,208,550 and general tangible property 1.43% or \$1,083,481. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$38.45 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$1.35 per \$1,000.00 of assessed valuation; the voted rate for permanent improvement was \$2.00 per assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - INCOME TAX

The District levies a voted tax of .75 of one percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1998, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$790,231 for fiscal 1999, which includes a receivable of \$411,414 at June 30, 1999.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$2,252,338
<u>Debt Service Fund</u>	
Taxes - Current & Delinquent	95,521
<u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	100,655
<u>Enterprise Funds</u>	
Interfund Loan	25,000

NOTE 9 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	<u>Balance July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 1999</u>
Land/ Improvements	\$ 318,790			\$ 318,790
Buildings	9,933,907	\$336,462		10,270,369
Furniture/ Equipment	3,546,337	81,959		3,628,296
Vehicles	<u>1,137,291</u>	<u>182,351</u>	\$(58,183)	<u>1,261,459</u>
Total	<u>\$14,936,325</u>	<u>\$600,772</u>	<u>\$(58,183)</u>	<u>\$15,478,914</u>

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 145,117
Less: Accumulated Depreciation	<u>(125,865)</u>
Net Fixed Assets	<u>\$ 19,252</u>

NOTE 10 - LONG-TERM OBLIGATIONS

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, 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 General Long-Term Debt Obligations Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 1.35 mill bonded debt tax levy.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the New Lebanon Local School District bonds and notes outstanding as of June 30, 1999:

Purpose	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance 07/01/98	Retired In Fiscal 1999	Balance 06/30/99
Building Renovations	.875%	01/01/87	12/01/10	\$1,000,000	\$585,000	\$45,000	\$540,000
Energy Conservation Notes	7.40%	01/01/90	01/01/00	195,000	39,084	25,576	13,508
Energy Conservation Notes	4.83%	09/29/97	08/06/30	<u>228,127</u>	<u>211,017</u>	<u>22,812</u>	<u>188,205</u>
				<u>\$1,423,127</u>	<u>\$835,101</u>	<u>\$93,388</u>	<u>\$741,713</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and energy conservation notes:

Year Ending June 30,	Principal On General Obligation Bonds	Principal On Energy Conservation Notes	Interest On General Obligation Bonds	Interest On Energy Conservation Notes	Total
2000	\$ 45,000	\$ 36,321	\$35,578	\$ 9,054	\$ 125,953
2001	45,000	22,813	32,484	7,574	107,871
2002	45,000	22,813	29,391	6,473	103,677
2003	45,000	22,813	26,298	5,371	99,482
2004	45,000	22,813	23,203	4,270	95,286
2005-2009	225,000	74,140	69,609	6,268	375,017
2010-2011	<u>90,000</u>	<u>0</u>	<u>6,188</u>	<u>0</u>	<u>96,188</u>
Total	<u>\$540,000</u>	<u>\$201,713</u>	<u>\$222,751</u>	<u>\$39,010</u>	<u>\$1,003,474</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences				
Sick Leave				
(severance)	\$ 325,606	\$15,088	\$ (32,590)	\$ 308,104
Vacation	19,527	25,871	(24,215)	21,183
General Obligation				
Bonds	585,000		(45,000)	540,000
Pension obligation payable	51,508	56,402	(51,508)	56,402
Energy				
Conservation Notes	<u>250,101</u>	<u> </u>	<u>(48,388)</u>	<u>201,713</u>
 TOTAL	 <u>\$1,231,742</u>	 <u>\$97,361</u>	 <u>\$(201,701)</u>	 <u>\$1,127,402</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school 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 effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$6,514,277 (including available funds of \$218,080) and an unvoted debt margin of \$75,958.

NOTE 11 - RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 1999, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

OSBA WORKER'S COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$ 227,585	\$43,763		\$ 271,348
Depreciation	3,323			3,323
Operating Income (loss)	(126,053)	70	\$(1,883)	(127,866)
Operating Grants	81,125			81,125
Net Income (loss)	(24,225)	70	3,117	(21,038)
Net Working Capital	7,441	8,058	3,280	18,779
Total Assets	74,854	9,735	3,280	87,869
Long-Term Liabilities Payable from Fund Revenues	20,114			20,114
Total Fund Equity	7,441	8,058	3,280	18,779
Encumbrances at 6/30/99	2,750	1,540		4,290

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$157,466, \$123,505, and \$124,731, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$76,518, which represents the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$532,014, \$482,076, and \$462,646, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$93,336, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$304,008 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$79,437 during the 1999 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$(146,931)	\$(121,745)	\$ 18,448	\$333,156
Net Adjustment for Revenue Accruals	578,588	1,006	(2,090)	(2,078)
Net Adjustment for Expenditure Accruals	(36,990)	(18,217)	(60,298)	62,205
Net Adjustment for Other Financing Sources/(Uses)	(293,609)		60,298	
Adjustment for Encumbrances	<u>122,412</u>	<u>16,760</u>	<u> </u>	<u>47,759</u>
GAAP Basis	<u>\$ 223,470</u>	<u>\$(122,196)</u>	<u>\$ 16,358</u>	<u>\$441,042</u>

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,458,866 of school foundation support in total (all funds) support.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - CONTINGENCIES (Continued)

C. School Funding Decision (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

The District has passed a new labor contract for certified employees effective July 1, 1999. The District estimates the financial impact of increased wages and benefits to approximate \$71,742 during fiscal 2000.

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash, Cash Equivalents	\$626,543	\$139,129	\$214,584	\$683,162
Cash with Fiscal Agent			159	
Investments	500,000			
Receivables (net of allowances of uncollectibles):				
Taxes – Current & Delinquent	2,252,338		95,521	100,655
Accounts	4,155	1,701		
Accrued Interest	7,677			
Interfund Loan Receivable				
Prepayments	18,174			
Materials and Supplies Inventory	10,957			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	79,898			
Property, Plant and Equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	\$3,499,742	\$140,830	\$310,264	\$783,817

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$80,569	\$28,481			\$2,055,437 \$159
				2,065,083
2,037				4,392
				9,260
				8,009
				29,067
8,386				18,336
				27,069
22,575		\$14,936,325		14,958,900
			201,722	201,722
			1,030,020	1,030,020
<u>\$113,567</u>	<u>\$28,481</u>	<u>\$14,936,325</u>	<u>\$1,231,742</u>	<u>\$20,407,454</u>

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$87,842	\$2,854		\$62,204
Accrued Wages and Benefits	629,123	18,008		
Compensated Absences Payable	10,122	45		
Pension Obligation Payable	100,288	1,980		
Deferred Revenue	1,768,892		87,767	92,941
Due to Students				
Matured Interest Payable			159	
General Obligation Bonds Payable				
Energy Conservation Notes Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,596,267</u>	<u>22,887</u>	<u>87,926</u>	<u>155,145</u>
Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings – Unreserved				
Fund Balances:				
Reserved for Encumbrances	168,956	1,792		16,195
Reserved for Supplies Inventory	9,950			
Reserved for Prepayments	29,067			
Reserved for Debt Service			196,136	
Reserved for Tax Revenue Unavailable for Appropriation	104,346		5,586	5,551
Reserved for Budget Stabilization	27,069			
Unreserved-Undesignated	226,491	220,127		223,848
	<hr/>	<hr/>	<hr/>	<hr/>
Total Equity and Other Credits	<u>565,879</u>	<u>221,919</u>	<u>201,722</u>	<u>245,594</u>
Total Liabilities, Equity and Other Credits	<u><u>\$3,162,146</u></u>	<u><u>\$244,806</u></u>	<u><u>\$289,648</u></u>	<u><u>\$400,739</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,271				\$157,171
20,081				667,212
16,112			\$345,133	371,412
28,194			51,508	181,970
5,092				1,954,692
	28,481			28,481
				159
			585,000	585,000
			250,101	250,101
<u>73,750</u>	<u>28,481</u>		<u>1,231,742</u>	<u>4,196,198</u>
		\$14,936,325		14,936,325
39,817				39,817
				186,943
				9,950
				29,067
				196,136
				115,483
				27,069
				670,466
<u>39,817</u>	<u>0</u>	<u>14,936,325</u>		<u>16,211,256</u>
<u>\$113,567</u>	<u>\$28,481</u>	<u>\$14,936,325</u>	<u>\$1,231,742</u>	<u>\$20,407,454</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From Local Sources:					
Taxes	\$1,973,257		\$95,622	\$101,716	\$2,170,595
Tuition	24,361				24,361
Earnings on Investments	121,565				121,565
Other Local Revenues	161,930	\$148,282			310,212
Intergovernmental - State	4,621,146	30,649	11,822	19,542	4,683,159
Intergovernmental - Federal		296,982			296,982
Total Revenue	6,902,259	475,913	107,444	121,258	7,606,874
Expenditures:					
Current:					
Instruction:					
Regular	3,268,140	55,328		123,791	3,447,259
Special	436,426	100,308		109	536,843
Vocational	181,221				181,221
Other	98,405				98,405
Support Services:					
Pupil	296,091	10,549			306,640
Instructional Staff	207,656	11,843			219,499
Board of Education	48,361				48,361
Administration	452,900	18,110			471,010
Fiscal	166,385				166,385
Business	56,673	41,452			98,125
Operations and Maintenance	768,713				768,713
Pupil Transportation	355,189	2,215			357,404
Central		11,370			11,370
Community Services		325			325
Extracurricular Activities	126,089	89,649			215,738
Facilities Services	29,670	37,610		353,438	420,718
Debt Service:					
Principal Retirement			85,877		85,877
Interest and Fiscal Charges			54,030		54,030
Total Expenditures	6,491,919	378,759	139,907	477,338	7,487,923
Excess (Deficiency) of Revenues over/ (under) Expenditures	410,340	97,154	(32,463)	(356,080)	118,951
Other Financing Sources/(Uses):					
Operating Transfers In			53,141		53,141
Operating Transfers Out	(53,141)				(53,141)
Proceeds of Notes				228,127	228,127
Proceeds from Sale of Assets	230				230
Total Other Financing Sources/(Uses)	(52,911)	0	53,141	228,127	228,357
Excess (Deficiency) of Revenues and Other Financing Sources over/(under) Expenditures and Other Financing (Uses)	357,429	97,154	20,678	(127,953)	347,308
Fund Balance, July 1	216,968	124,765	181,044	373,547	896,324
Increase in Reserve for Inventory	(8,518)				(8,518)
Fund Balance, June 30	\$565,879	\$221,919	\$201,722	\$245,594	\$1,235,114

The notes to the general-purpose financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,1998**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From Local Sources:						
Taxes	\$1,826,682	\$1,915,103	\$88,421			
Tuition	16,800	23,085	6,285			
Earnings on Investments	86,500	117,845	31,345			
Other Local Revenues	6,700	4,693	(2,007)	\$138,111	\$149,244	\$11,133
Intergovernmental - State	4,427,161	4,613,137	185,976	5,000	30,649	25,649
Intergovernmental - Federal				164,421	296,982	132,561
Total Revenues	6,363,843	6,673,863	310,020	307,532	476,875	169,343
Expenditures:						
Current:						
Instruction:						
Regular	3,468,760	3,291,446	177,314	176,781	55,678	121,103
Special	476,000	435,864	40,136	131,601	96,299	35,302
Vocational	208,000	183,894	24,106			
Other	147,000	97,372	49,628			
Support Services:						
Pupil	386,225	306,665	79,560	14,184	10,400	3,784
Instructional Staff	218,102	196,951	21,151	14,095	11,827	2,268
Board of Education	61,710	51,861	9,849			
Administration	524,589	473,334	51,255	23,246	16,607	6,639
Fiscal	176,300	159,046	17,254			
Business	76,595	76,431	164	72,521	41,845	30,676
Operations and Maintenance	875,889	776,813	99,076			0
Pupil Transportation	533,000	455,334	77,666	2,332	2,215	
Central			0	13,875	9,210	4,665
Community Services				350	325	25
Extracurricular Activities	147,300	126,128	21,172	139,294	90,692	48,602
Facilities Services	29,804	29,670	134	37,610	37,610	
Debt Service:						
Principal Retirement	40,900	40,877	23			
Interest and Fiscal Charges	12,300	12,264	36			
Total Expenditures	7,382,474	6,713,950	668,524	625,889	372,708	253,064
Excess (Deficiency) of Revenues over/(under) Expenditures	(1,018,631)	(40,087)	978,544	(318,357)	104,167	422,524
Other Financing Sources/(Uses):						
Refund of Prior Year's Expenditures	112,000	158,691	46,691			
Advances In	25,000		(25,000)			
Proceeds of Notes			0			0
Proceeds of Sale of Fixed Assets		230	230			0
Total Other Financing Sources/(Uses)	137,000	158,921	21,921	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources over/(under) Expenditures and Other Financing (Uses)	(881,631)	118,834	1,000,465	(318,357)	104,167	422,524
Fund Balance, July 1	817,062	817,062	0	133,327	133,327	0
Prior Year Encumbrances Appropriated	64,569	64,569	0	1,973	1,973	0
Fund Balance, June 30	\$0	\$1,000,465	\$1,000,465	(\$183,057)	\$239,467	\$422,524

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$88,961	\$92,512	\$3,551	\$93,668	\$98,621	\$4,953	\$2,009,311	\$2,106,236	\$96,925
						16,800	23,085	6,285
						86,500	117,845	31,345
						144,811	153,937	9,126
11,365	11,821	456	12,017	19,542	7,525	4,455,543	4,675,149	219,606
						164,421	296,982	132,561
100,326	104,333	4,007	105,685	118,163	12,478	6,877,386	7,373,234	495,848
			203,178	131,322	71,856	3,848,719	3,478,446	370,273
						607,601	532,163	75,438
						208,000	183,894	24,106
						147,000	97,372	49,628
						400,409	317,065	83,344
						232,197	208,778	23,419
						61,710	51,861	9,849
						547,835	489,941	57,894
						176,300	159,046	17,254
						149,116	118,276	30,840
						875,889	776,813	99,076
						535,332	457,549	77,666
						13,875	9,210	4,665
						350	325	25
						286,594	216,820	69,774
			447,407	362,211	85,196	514,821	429,491	85,330
100,000	45,000	55,000				140,900	85,877	55,023
178,895	41,766	137,129				191,195	54,030	137,165
278,895	86,766	192,129	650,585	493,533	157,052	8,937,843	7,666,957	1,270,769
(178,569)	17,567	196,136	(544,900)	(375,370)	169,530	(2,060,457)	(293,723)	1,766,734
						112,000	158,691	46,691
						25,000	0	(25,000)
			166,592	228,127	61,535	166,592	228,127	61,535
						0	230	230
0	0	0	166,592	228,127	61,535	303,592	387,048	83,456
(178,569)	17,567	196,136	(378,308)	(147,243)	231,065	(1,756,865)	93,325	1,850,190
178,569	178,569	0	366,461	366,461	0	1,495,419	1,495,419	0
			4,630	4,630	0	71,172	71,172	0
\$0	\$196,136	\$196,136	(\$7,217)	\$223,848	\$231,065	(\$190,274)	\$1,659,916	\$1,850,190

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Revenues:	
Tuition and Fees	\$41,508
Sales/Charges for Services	<u>232,623</u>
Total Operating Revenues	274,131
Operating Expenses:	
Personal Services	184,900
Contract Services	3,618
Materials and Supplies	200,284
Depreciation	<u>3,640</u>
Total Operating Expenses	392,442
Operating Loss	(118,311)
Nonoperating Revenues	
Operating Grants	85,117
Federal Commodities	<u>17,000</u>
Total Nonoperating Revenues	<u>102,117</u>
Net Loss	(16,194)
Retained Earnings, July 1	<u>56,011</u>
Retained Earnings, June 30	<u><u>\$39,817</u></u>

The notes to the general-purpose financial statements are an integral part of

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash Flows from Operating Activities:	
Cash Received from Tuition and Fees	\$42,035
Cash Received from Sales/Service Charges	232,623
Cash Payments for Personal Services	(169,821)
Cash Payments for Contract Services	(3,618)
Cash Payments for Supplies and Materials	<u>(181,854)</u>
Net Cash Used in Operating Activities	(80,635)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	<u>85,117</u>
Net Cash Provided by Noncapital Financing Activities	85,117
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(5,043)</u>
Net Cash Provided by Investing Activities	(5,043)
Net Increase in Cash and Cash Equivalents	(561)
Cash and Cash Equivalents at Beginning of Year	<u>81,130</u>
Cash and Cash Equivalents at End of Year	<u><u>\$80,569</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(\$118,311)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	3,640
Federal Donated Commodities	17,000
Changes in Assets and Liabilities:	
Decrease in Supplies Inventory	4,828
Decrease in Accounts Receivable	527
Increase in Accounts Payable	1,184
Decrease in Accrued Wages & Benefits	(6,678)
Increase in Compensated Absences Payable	2,731
Increase in Pension Obligation Payable	19,026
Decrease in Deferred Revenue	<u>(4,582)</u>
Net Cash Used in Operating Activities	<u><u>(\$80,635)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The New Lebanon Local School District (the "District") is located in west-central Montgomery County, including all of the Village of New Lebanon, and portions of surrounding townships. The District serves an area of approximately 39 square miles.

The District was organized in 1922, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 60 non-certified and 102 (including administrative) certified full-time and part-time employees to provide services to approximately 1,448 students in grades K through 12 and various community groups, which ranks it 382nd out of approximately 612 school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Miami Valley Career Tech Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Payments to SOEPC are made from the District's General fund.

The District also participates in a group rating plan described in Note 10.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Proprietary Funds

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

B. Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency Funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1998, and which are intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1998, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

C. Measurement Focus/Basis of Accounting (Continued)

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1998 is as follows.

1. Prior to January 15 of the preceding year, 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 expressed 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 Montgomery County Budget Commission for tax rate determination.
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 June 30, 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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1998.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

D. Budgets (Continued)

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
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. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation 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. All supplemental appropriations were legally enacted by the Board during fiscal 1998 in the following amounts:

<u>Fund</u>	<u>Increase</u>	<u>Decrease</u>
Special Revenue	\$175,726	
Capital Projects	7,218	
Enterprise		\$ (970)
Agency		(32,043)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 11.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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" (both unrestricted and restricted) on the combined balance sheet.

During 1998, investments were limited to repurchase agreements and certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 1998 totaled \$121,565 which included \$53,164 assigned from other funds of the District. An analysis of the Treasurer's investment account at year end is provided in Note 4.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group. The District did not capitalize any interest during the fiscal year.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Title VI-B
Title I
Title VI
Drug-Free School
Instructional Materials Subsidy

Capital Project Funds

School Net
Technology Equity

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education

Special Revenue Fund

Perkins Vocational Grant

Proprietary Funds

National School Lunch Program
National School Milk Program
Adult Education

Grants and entitlements amounted to over 63% of the District's operating revenue during the 1998 fiscal year.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 Statement No. 16 of the Governmental Accounting Standards Board, 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, prepaids, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. A reconciliation of the District's operating transfers is reported in Note 5.

N. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$27,069 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve has also been established.

Q. Estimates

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

R. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, was implemented during fiscal 1998. In accordance with this statement, investments held at June 30, 1998 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices. All investments not required to be reported at fair value are stated at cost or amortized cost. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 1997.

B. Deficit Fund Balances

Fund balances at June 30, 1998 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Management Information Systems	\$(277)
Title VI-B	(330)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 accounts, including passbook accounts.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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 division (1) or (2) 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Cash with Fiscal Agent: At year end, \$159 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$1,603,070 and the bank balance was \$1,804,225 (both amounts include \$1,750,000 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$154,225 was covered by federal depository insurance.
2. \$1,650,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category of Risk			Reported Amount	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	<u>\$45,934</u>	_____	<u>\$433,661</u>	<u>\$479,595</u>	<u>\$479,595</u>
Total Investments	<u>\$45,934</u>	=====	<u>\$433,661</u>	<u>\$479,595</u>	<u>\$479,595</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9 Investments of the Cash Management Pool:	\$2,082,506	
Repurchase Agreement	(479,595)	\$479,595
Cash with Fiscal Agent	<u>159</u>	_____
GASB Statement No. 3	<u>\$1,603,070</u>	<u>\$479,595</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 1998:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(53,141)
Debt Service Fund	\$53,141	_____
Totals	<u>\$53,141</u>	<u>\$(53,141)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1997 taxes were collected was \$75,729,760. Agricultural/Residential and public utility real estate represented 85.37% or \$64,648,950 of this total; Commercial & Industrial real estate represented 7.23% or \$5,474,110; public utility tangible 5.75% or \$4,356,900 and general tangible property 1.65% or \$1,249,800. The voted general tax rate for operations at the fiscal year ended June 30, 1998 was \$38.45 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$1.35 per \$1,000.00 of assessed valuation; the voted rate for permanent improvement was \$2.00 per assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 1998 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$1,873,238
Accrued Interest	9,260
Due From Other Governments	8,009
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	93,353
 <u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	98,492

NOTE 8 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	<u>Balance July 1, 1997</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 1998</u>
Land/ Improvements	\$ 318,790			\$ 318,790
Buildings	9,880,461	\$ 53,446		9,933,907
Furniture/ Equipment	3,240,136	306,201		3,546,337
Vehicles	<u>1,032,023</u>	<u>105,268</u>	<u> </u>	<u>1,137,291</u>
 Total	 <u>\$14,471,410</u>	 <u>\$464,915</u>	 <u>\$ </u>	 <u>\$14,936,325</u>

A summary of the Proprietary fixed assets at June 30, 1998 follows:

Furniture and Equipment	\$145,117
Less: Accumulated Depreciation	<u>(122,542)</u>
 Net Fixed Assets	 <u>\$ 22,575</u>

NOTE 9 - LONG-TERM OBLIGATIONS

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, 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 General Long-Term Debt Obligations Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 1.35 mill bonded debt tax levy.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the New Lebanon Local School District bonds and notes outstanding as of June 30, 1998:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/97</u>	<u>New Issues in Fiscal 98</u>	<u>Retired In Fiscal 1998</u>	<u>Balance 06/30/98</u>
Building Renovations	6.875%	31777	40512	\$1,000,000	\$630,000		\$(45,000)	\$585,000
Energy Conservation Notes	7.40%	32873	36525	195000	62851		23767	39084
Energy Conservation Notes	4.83%	35701	47700	<u>228127</u>	<u> </u>	<u>\$228,127</u>	<u>17110</u>	<u>211017</u>
				<u>\$1,423,127</u>	<u>\$692,851</u>	<u>\$228,127</u>	<u>\$(85,877)</u>	<u>\$835,101</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal On General Obligation Bonds</u>	<u>Principal On Energy Conservation Notes</u>	<u>Interest On General Obligation Bonds</u>	<u>Interest On Energy Conservation Notes</u>	<u>Total</u>
1999	\$ 45,000	\$ 48,389	\$ 38,672	\$11,972	\$ 144,033
2000	45000	36321	35578	9054	125953
2001	45000	22813	32484	7574	107871
2002	45000	22813	29391	6473	103677
2003	45000	22813	26298	5371	99482
2004-2008	225000	96952	74249	10538	406739
2009-2011	<u>135000</u>	<u> </u>	<u>24750</u>	<u> </u>	<u>159750</u>
Total	<u>\$585,000</u>	<u>\$250,101</u>	<u>\$261,422</u>	<u>\$50,982</u>	<u>\$1,147,505</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

C. During the year ended June 30, 1998, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1997</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1998</u>
Compensated Absences				
Sick Leave				
(severance)	\$ 309,795	\$ 54,056	\$ (38,245)	\$ 325,606
Vacation	17,544	25,376	(23,393)	19,527
General Obligation				
Bonds	630,000		(45,000)	585,000
Pension obligation payable	47,137	51,508	(47,137)	51,508
Energy				
Conservation Notes	<u>62,851</u>	<u>228,127</u>	<u>(40,877)</u>	<u>250,101</u>
 TOTAL	 <u>\$1,067,327</u>	 <u>\$359,067</u>	 <u>\$(194,652)</u>	 <u>\$1,231,742</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school 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 effects of these debt limitations for the District at June 30, 1998 are a voted debt margin of \$6,432,400 (including available funds of \$201,722) and an unvoted debt margin of \$75,730.

NOTE 10 - RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 1998, the District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

OSBA WORKER'S COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1998.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$232,623	\$41,508		\$274,131
Depreciation	3,640			3,640
Operating (Loss)	(116,789)	(1,522)		(118,311)
Operating Grants	85,117			85,117
Net (Loss)	(14,672)	(1,522)		(16,194)
Net Working Capital	25,158	7,988	163	33,309
Fixed Assets:				
Additions	5,043			5,043
Total Assets	104,042	9,362	163	113,567
Long-Term Liabilities				
Payable from Fund Revenues	16,067			16,067
Total Fund Equity	31,666	7,988	163	39,817
Encumbrances at 6/30/98	2,200	1,412		3,612

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A.. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1998; 9.79 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$123,505, \$124,731, and \$121,620, respectively; 48 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$76,824, which represents the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$482,076, \$462,646, and \$441,691, respectively; 83 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$81,720, which represents the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the District, this amount equaled \$120,519 during the 1998 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. As of July 1, 1997, eligible benefit recipients totaled 88,718. For the fiscal year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997 SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$64,431 during the 1998 fiscal year.

NOTE 14 - 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 Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$118,834	\$104,167	\$ 17,567	\$(147,243)
Net Adjustment for Revenue Accruals	228,166	(962)	3,111	3,095
Net Adjustment for Expenditure Accruals	(8,464)	(10,697)	(53,141)	(62,204)
Net Adjustment for Other Financing Sources/(Uses)	(211,602)		53,141	
Adjustment for Encumbrances	<u>230,495</u>	<u>4,646</u>	<u> </u>	<u>78,399</u>
GAAP Basis	<u>\$357,429</u>	<u>\$ 97,154</u>	<u>\$20,678</u>	<u>\$(127,953)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1998.

B. Litigation

As of the balance sheet date, the District was a defendant in a wrongful death lawsuit which is scheduled for trial in March, 1998. The District's liability insurance coverage is \$2,000,000 per occurrence, \$5,000,000 aggregate. The carrier is also covering legal fees involved with the lawsuit.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 15 - CONTINGENCIES (Continued)

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1998, the District received \$4,345,816 of school foundation support in total (all funds) support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County is currently reviewing the new laws to determine whether they are constitutional under the "thorough and efficient" clause of the Ohio Constitution. A decision is expected from the Perry County Court sometime in early calendar 1999; either party then has the right to appeal that decision directly to the Ohio Supreme Court. Any decision made by the Court of Common Pleas is likely to be appealed.

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

NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS

In the November general election, the District has on the ballot the renewal of a 2-mill permanent improvement levy, which currently generates approximately \$100,000 annually. The District also has on the ballot the renewal of a 7-mill operating levy, which currently generates approximately \$350,000 annually.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	10.550		\$0	\$15,162	\$0	\$20,436
National School Lunch Program	10.555	04-PU	<u>76,866</u>	<u>0</u>	<u>76,866</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			76,866	15,162	76,866	20,436
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Grants to States (IDEA Part B)	84.027	6B-SF	56,903	0	58,722	0
Tech Literacy Challenge Fund	84.318	TF-S1	161,549	0	253,626	0
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1-S1	79,828	0	77,247	0
Drug-Free Education Grant	84.186	DR-S1	7,359	0	4,560	0
Goals 2000	84.276	G2-S3	806	0	806	0
Eisenhower Professional Development State Grant	84.281	MS-S1	2,308	0	915	0
Innovative Education Program Strategies	84.298	C2-S1	<u>5,259</u>	<u>0</u>	<u>3,815</u>	<u>0</u>
Total U.S. Department of Education			314,012	0	399,691	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education</i>						
School to Work Grant	17.249	WK-BE	<u>5,000</u>	<u>0</u>	<u>112</u>	<u>0</u>
Total Federal Assistance			<u>\$390,878</u>	<u>\$15,162</u>	<u>\$476,669</u>	<u>\$20,436</u>

The notes to the schedule of federal awards expenditures is an integral part of this statement.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C – FEDERAL GRANTS WHOSE FUNDS ARE COMMINGLED WITH OTHER REVENUE SOURCES

The following federal grant monies were commingled with state and local revenues. It was assumed that federal monies were expended first.

Program:
National School Lunch Program

CFDA Number:
10.555

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

We have audited the financial statements of New Lebanon Local School District, Montgomery County, (the District) as of and for the years ended June 30, 1999, and June 30, 1998, and have issued our report thereon dated January 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion on this report, that we have reported to management of the District in a separate letter dated January 18, 2000.

New Lebanon Local School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

JIM PETRO
Auditor of State

January 18, 2000



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

Compliance

We have audited the compliance of New Lebanon Local School District, Montgomery County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

January 18, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.318 – Tech Literacy Challenge
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.



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NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2000**