NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45332-2631

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Northmont City School District, Montgomery County, (the District) as of and for the year ended June 30, 1999, 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 District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999 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

December 17, 1999

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

	Governmental Fund Types		
	General	**Special Revenue**	**Debt Service**
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	$5,232,992	$506,443	$712,516
Receivables:			
Property and Other Taxes	15,446,143	0	316,758
Accounts	124,537	3,946	0
Intergovernmental	13,963	1,476	0
Accrued Interest	505	0	0
Interfund	100	0	0
Inventory of Supplies and Materials	322,800	0	0
Inventory Held for Resale	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	185,084	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
Total Assets and Other Debits	$21,326,124	$511,865	$1,029,274
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	$146,716	$62,017	$0
Contracts Payable	2,200	0	0
Accrued Wages and Benefits Payable	2,301,195	44,994	0
Intergovernmental Payable	642,145	16,705	0
Interfund Payable	0	100	0
Due To Students	0	0	0
Matured Interest Payable	0	0	245
Deferred Revenue	15,093,709	0	307,502
Capital Leases Obligation	0	0	0
Compensated Absences Payable	246,160	0	0
Early Retirement Incentive	216,000	0	0
Energy Conservation Notes Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Total Liabilities	18,648,125	123,816	307,747
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	1,075,255	58,725	0
Reserved for Inventory of Supplies and Material:	322,800	0	0
Reserved for Property Taxes	447,086	0	9,256
Reserved for Budget Stabilization	125,804	0	0
Reserved for School Bus Purchases	59,280	0	0
Unreserved, Undesignated	647,774	329,324	712,271
Total Fund Equity and Other Credits	2,677,999	388,049	721,527
Total Liabilities, Fund Equity and Other Credits	$21,326,124	$511,865	$1,029,274

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Debt	TOTAL (MEMORANDUM ONLY)
$212,828	$76,951	$0	$0	$7,381,899
0	0	0	0	15,762,901
230	0	0	0	128,713
37,163	0	0	0	52,602
0	0	0	0	505
0	0	0	0	100
5,352	0	0	0	328,152
65,887	0	0	0	65,887
0	0	0	0	185,084
155,926	0	12,937,910	0	13,093,836
0	0	0	721,527	721,527
0	0	0	4,807,153	4,807,153
$477,386	$76,951	$12,937,910	$5,528,680	$42,528,359
$28,867	$0	$0	$0	$245,563
0	0	0	0	2,200
15,931	0	0	0	2,362,408
138,895	0	0	285,855	1,084,354
0	0	0	0	100
0	76,951	0	0	76,951
0	0	0	0	245
56,186	0	0	0	15,457,397
0	0	0	367,078	367,078
71,059	0	0	2,815,747	3,132,966
0	0	0	250,000	466,000
0	0	0	340,000	340,000
0	0	0	1,470,000	1,470,000
310,938	76,951	0	5,528,680	25,005,262
0	0	12,937,910	0	12,937,910
166,448	0	0	0	166,448
0	0	0	0	1,147,165
0	0	0	0	322,800
0	0	0	0	456,342
0	0	0	0	125,804
0	0	0	0	59,280
0	0	0	0	2,307,348
166,448	0	12,937,910	0	17,523,097
$477,386	$76,951	$12,937,910	$5,528,680	$42,528,359

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property and other Taxes	$14,505,859	$0	$292,698	$0	$14,798,557
Tuition and Fees	393,402	13,725	0	0	407,127
Interest	343,293	2,868	0	19,573	365,734
Intergovernmental	15,651,618	773,720	40,378	568,992	17,034,708
Extracurricular Activities	0	403,068	0	0	403,068
Rent	11,379	47,637	0	0	59,016
Gifts and Donations	0	99,012	0	0	99,012
Miscellaneous	16,116	3,491	0	0	19,607
Total Revenues	30,921,667	1,343,521	333,076	588,565	33,186,829
Expenditures:					
Current:					
Instruction:					
Regular	15,807,536	161,768	0	349,283	16,318,587
Special	2,152,011	230,597	0	0	2,382,608
Vocational	341,080	0	0	0	341,080
Other	393,081	0	0	0	393,081
Support Services:					
Pupils	2,235,894	99,545	0	0	2,335,439
Instructional Staff	359,369	104,462	0	0	463,831
Board of Education	34,509	0	0	0	34,509
Administration	2,631,414	93,615	0	0	2,725,029
Fiscal	613,540	0	3,025	0	616,565
Business	405,061	0	0	0	405,061
Operation and Maintenance of Plant	2,635,099	0	0	0	2,635,099
Pupil Transportation	1,236,072	132	0	0	1,236,204
Central	218,230	13,880	0	0	232,110
Operation of Non-Instructional Services	0	148,214	0	0	148,214
Extracurricular Activities	368,871	505,270	0	0	874,141
Capital Outlay	593,870	0	0	168,088	761,958
Debt Service:					
Principal Retirement	93,895	0	240,000	0	333,895
Interest and Fiscal Charges	44,045	0	105,233	0	149,278
Total Expenditures	30,163,577	1,357,483	348,258	517,371	32,386,689
Excess of Revenues Over (Under) Expenditures	758,090	(13,962)	(15,182)	71,194	800,140
Other Financing Sources (Uses):					
Proceeds From Sale of Fixed Assets	3,951	0	0	0	3,951
Operating Transfers-Out	(18,000)	0	0	0	(18,000)
Total Other Financing Sources (Uses)	(14,049)	0	0	0	(14,049)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	744,041	(13,962)	(15,182)	71,194	786,091
Fund Balances at Beginning of Year	2,445,897	402,011	736,709	559,970	4,144,587
Increase in Reserve for Inventory	(511,939)	0	0	0	(511,939)
Fund Balances at End of Year	$2,677,999	$388,049	$721,527	$631,164	$4,418,739

The notes to the 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 FISCAL YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**	**Revised Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:						
Property and Other Taxes	$14,904,772	$14,904,772	$0	$0	$0	$0
Tuition and Fees	391,068	391,068	0	13,725	13,725	0
Interest	343,976	343,976	0	2,868	2,868	0
Intergovernmental	15,651,905	15,651,905	0	772,244	772,244	0
Extracurricular Activities	0	0	0	403,053	403,053	0
Rent	11,379	11,379	0	47,637	47,637	0
Gifts and Donations	0	0	0	99,012	99,012	0
Miscellaneous	3,817	3,817	0	1,542	1,542	0
Total Revenues	31,306,917	31,306,917	0	1,340,081	1,340,081	0
Expenditures:						
Current:						
Instruction:						
Regular	16,410,030	16,161,159	248,871	173,475	173,475	0
Special	2,259,306	2,129,736	129,570	233,532	233,532	0
Vocational	320,424	320,424	0	0	0	0
Other	523,275	523,275	0	0	0	0
Support Services:						
Pupils	2,257,530	2,227,349	30,181	95,543	95,543	0
Instructional Staff	362,966	362,966	0	107,757	107,757	0
Board of Education	50,510	50,510	0	0	0	0
Administration	2,655,566	2,636,701	18,865	87,007	87,007	0
Fiscal	612,603	612,603	0	0	0	0
Business	413,529	407,646	5,883	0	0	0
Operation and Maintenance of Plant	2,993,553	2,875,766	117,787	0	0	0
Pupil Transportation	1,494,566	1,412,895	81,671	132	132	0
Central	245,079	245,079	0	16,414	16,414	0
Operation of Non-Instructional Services	0	0	0	181,415	181,415	0
Extracurricular Activities	369,025	369,025	0	509,265	509,265	0
Capital Outlay	800,272	766,487	33,785	0	0	0
Debt Service:						
Principal Retirement	227,629	178,946	48,683	0	0	0
Interest and Fiscal Charges	43,555	92,238	(48,683)	0	0	0
Total Expenditures	32,039,418	31,372,805	666,613	1,404,540	1,404,540	0
Excess of Revenues Over (Under) Expenditures	(732,501)	(65,888)	666,613	(64,459)	(64,459)	0
Other Financing Sources (Uses):						
Other Financing Uses	(928,900)	0	928,900	0	0	0
Refund of Prior Year Expenditures	35,584	35,584	0	100	100	0
Refund of Prior Year Receipts	0	0	0	(947)	(947)	0
Proceeds From Sale of Fixed Assets	1,376	1,376	0	0	0	0
Advances - In	11,900	11,900	0	0	0	0
Advances - Out	0	0	0	(11,900)	(11,900)	0
Operating Transfers - Out	(18,000)	(18,000)	0	0	0	0
Total Other Financing Sources (Uses)	(898,040)	30,860	928,900	(12,747)	(12,747)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,630,541)	(35,028)	1,595,513	(77,206)	(77,206)	0
Fund Balances at Beginning of Year	2,931,967	2,931,967	0	337,874	337,874	0
Prior Year Encumbrances Appropriated	1,312,320	1,312,320	0	134,379	134,379	0
Fund Balances at End of Year	$2,613,746	$4,209,259	$1,595,513	$395,047	$395,047	$0

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

Debt Service Fund			Capital Projects Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$303,449	$303,449	$0	$0	$0	$0
0	0	0	0	0	0
0	0	0	19,573	19,573	0
40,378	40,378	0	568,992	568,992	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
343,827	343,827	0	588,565	588,565	0
0	0	0	361,789	361,789	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,025	3,025	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	168,088	168,088	0
240,000	240,000	0	0	0	0
105,233	105,233	0	0	0	0
348,258	348,258	0	529,877	529,877	0
(4,431)	(4,431)	0	58,688	58,688	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(4,431)	(4,431)	0	58,688	58,688	0
716,947	716,947	0	390,055	390,055	0
0	0	0	172,278	172,278	0
$712,516	$712,516	$0	$621,021	$621,021	$0

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

	Enterprise
Operating Revenues:	
Sales	$1,414,139
Tuition and Fees	392,281
Total Operating Revenues	1,806,420
Operating Expenses:	
Salaries and Wages	1,009,341
Fringe Benefits	217,584
Purchased Services	98,818
Supplies and Materials	204,454
Cost of Sales	681,595
Other	320
Depreciation	22,821
Total Operating Expenses	2,234,933
Operating Loss	(428,513)
Non-Operating Revenues:	
Federal and State Subsidies	248,376
Interest	22,606
Federal Donated Commodities	85,274
Total Non-Operating Revenues	356,256
Net Loss Before Operating Transfers	(72,257)
Operating Transfers-In	18,000
Net Loss	(54,257)
Retained Earnings at Beginning of Year	220,705
Retained Earnings at End of Year	$166,448

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

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) PROPRIETARY FUND TYPE FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Enterprise Fund		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:			
Sales	$1,415,529	$1,415,529	$0
Interest	22,606	22,606	0
Federal and State Subsidies	242,421	242,421	0
Tuition and Fees	391,780	391,780	0
Other Operating Revenues	500	500	0
Total Revenues	2,072,836	2,072,836	0
Expenses:			
Salaries and Wages	1,011,092	1,011,092	0
Fringe Benefits	213,470	213,470	0
Purchased Services	92,426	92,426	0
Supplies and Materials	824,242	824,242	0
Capital Outlay	67,293	67,293	0
Other	320	320	0
Total Expenses	2,208,843	2,208,843	0
Excess of Revenues Under Expenses Before Operating Transfers	(136,007)	(136,007)	0
Operating Transfers - In	18,000	18,000	0
Excess of Revenues Under Expenses and Operating Transfers	(118,007)	(118,007)	0
Fund Equity at Beginning of Year	243,597	243,597	0
Prior Year Encumbrances Appropriated	35,240	35,240	0
Fund Equity at End of Year	$160,830	$160,830	$0

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

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

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	$1,807,809
Cash Payments for Employee Services and Benefits	(1,223,473)
Cash Payments to Suppliers for Goods and Services	(867,443)
Other Operating Expenses	(320)
Net Cash Used In Operating Activities	(283,427)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	242,421
Operating Transfers-In	18,000
Net Cash Provided By Noncapital Financing Activities	260,421
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(65,609)
Net Cash Used In Capital and Related Financing Activities	(65,609)
Cash Flows from Investing Activities:	
Interest	22,606
Net Cash Provided By Investing Activities	22,606
Net Decrease in Cash and Cash Equivalents	(66,009)
Cash and Cash Equivalents Beginning of Year	278,837
Cash and Cash Equivalents End of Year	$212,828
Reconcilation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Loss	($428,513)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	22,821
Donated Commodities Received	85,274
Decrease in Accounts Receivable	1,390
Decrease in Supplies Inventory	1,625
Increase in Inventory Held for Resale	(694)
Increase in Accounts Payable	18,923
Decrease in Accrued Wages and Benefits Payable	(12,091)
Increase in Intergovernmental Payable	21,463
Increase in Compensated Absences Payable	6,375
Net Cash Used In Operating Activities	($283,427)

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Villages of Clayton and Clay and portions of Randolph Township. The School District is the 55th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 263 non-certificated employees, 348 certificated full-time teaching personnel and 24 administrative employees who provide services to 5,807 students and other community members. The School District currently operates nine instructional buildings, one administrative building, and one service center.

Reporting Entity

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

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

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, Salem Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District's Board is also responsible for appointing the members of the Board of Trustees to the Northmont Education Foundation. The School District's accountability does not extend beyond making these appointments, therefore, the Northmont Education Foundation is considered a related organization. During fiscal year 1999, the School District received $18,993 in grants from the Foundation.

1. DESCRIPTION OF THE SCHOOL DISTRICT (Continued)

The School District is associated with organizations which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), and the Southwestern Ohio Instructional Technology Association (SOITA). The insurance purchasing pools are the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (EPCGRP) and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northmont City School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

General Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenditure 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 obligation principal, interest, and related costs.

Capital Projects Funds

The 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).

2. Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District’s only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. 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 a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

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

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. The School District does not have any contributed capital. Enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds and the agency fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, tuition, intergovernmental grants, and student fees.

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

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

1. Tax Budget:

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

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

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

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

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

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 1999, investments were limited to certificate of deposits, repurchase agreements and STAR Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to $343,293 which includes $96,217 assigned from other School District funds. The Northmont Board of Education has passed a resolution to allow interest to also be recorded in the permanent improvement capital projects fund, the auxiliary services special revenue fund and the food service enterprise fund. These funds received $19,573, $2,868 and $22,606, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and non-food items and are expensed when used.

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

The School District maintains a capitalization threshold of six hundred dollars. The School District does not have any infrastructure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

<u>Entitlements</u>
- <u>General Fund</u>
  - School Bus Purchase Program
  - State Foundation Program
  - State Property Tax Relief

<u>Non-Reimbursable Grants</u>
- <u>Special Revenue Funds</u>
  - Venture Capital
  - Auxiliary Services
  - Education Management Information Systems
  - Public School Preschool
  - Title VI
  - Title VI-B
  - Title I
  - Drug-Free Schools
  - Instructional Textbook Subsidy
  - Occupation Information Systems
  - Professional Development Block Grant
  - School Security Grant
  - Parent Involvement Planning Grant
  - Title II
  - Vocational Education
  - Goals 2000 Intervention Pacesetter Grant
  - Building Partnership Grant
  - Eisenhower Math and Science
  - Continuous Improvement Grant
- <u>Capital Projects Funds</u>
  - School Net Plus
  - Power Up Grant
  - Interactive Video Distance Learning Grant

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants
General Fund
Driver Education

Special Revenue Fund
E-Rate Grant

Proprietary Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements for governmental funds amounted to approximately 51 percent of the School District's operating revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables.”

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, early retirement incentive and contractually required pension obligations that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are considered not to have used current available financial resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General obligation bonds, capital leases, and long-term notes are reported as a liability of the general long-term debt account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and 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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies and materials, property taxes, budget stabilization and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. 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.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned “Total - (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

3. ACCOUNTABILITY

At June 30, 1999, the parking special revenue fund and early childhood development enterprise fund had deficit fund balance/retained earnings of $27 and $13,216, respectively, which was created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

3. ACCOUNTABILITY (Continued)

The School District will continue to monitor the deficit in the early childhood development enterprise fund and will consider an increase in fees if deemed appropriate.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis.)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	$744,041	($13,962)	($15,182)	$71,194
Revenue Accruals	418,259	(4,289)	10,751	0
Expenditure Accruals	(411)	64,341	0	6,642
Advances	11,900	(11,900)	0	0
Encumbrances	(1,208,817)	(111,396)	0	(19,148)
Budget Basis	($35,028)	($77,206)	($4,431)	$58,688

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses and Operating Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	($54,257)
Revenue Accruals	(4,566)
Expense Accruals	36,533
Materials and Supplies Inventory	(1,625)
Inventory Held for Resale	694
Capital Outlay	(65,609)
Depreciation Expense	22,821
Encumbrances	(51,998)
Budget Basis	($118,007)

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public money 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;

5. DEPOSITS AND INVESTMENTS (Continued)

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. Bond 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 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 obligation, 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits - At year end, the carrying amount of the School District's deposits was $213,256 and the bank balance was $742,445. Of the bank balance:

1. $451,106 was covered by federal depository insurance; and

2. $291,339 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name.

5. DEPOSITS AND INVESTMENTS (Continued)

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying/Fair Value
Repurchase Agreements	$2,205,273	$2,205,273
STAR Ohio		5,148,454
Totals		$7,353,727

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents/ Deposits	Investments
GASB Statement 9	$7,566,983	$0
Investments:		
Repurchase Agreement	(2,205,273)	2,205,273
STAR Ohio	(5,148,454)	5,148,454
GASB Statement 3	$213,256	$7,353,727

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31,1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

6. PROPERTY TAXES (Continued)

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible 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, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was $447,086 in the general fund and $9,256 in the debt service fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$422,684,400	90.89%	$435,437,650	90.53%
Public Utility	21,449,610	4.61	23,177,350	4.82
Tangible Personal Property	20,883,579	4.50	22,363,569	4.65
Total Assessed Value	$465,017,589	100.00%	$480,978,569	100.00%
Tax rate per $1,000 of assessed valuation	$59.03		$58.93	

7. RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

7. RECEIVABLES (Continued)

	Amount
General Fund	
SF3 Reimbursement	$9,214
Worker's Compensation Reimbursement	87
Handicapped Bus Reimbursement	3,149
Title 11-B Reimbursement	113
Driver's Education	1,400
Total General Fund	13,963
Special Revenue Fund	
E-Rate	1,476
Enterprise Fund	
National School Lunch Program	37,163
Total Intergovernmental Receivables	$52,602

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	$718,898
Less Accumulated Depreciation	(562,972)
Net Fixed Assets	$155,926

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 06/30/98	Additions	Deletions	Balance at 06/30/99
Land and Improvements	$786,442	$21,653	$0	$808,095
Buildings and Improvements	8,774,077	119,855	0	8,893,932
Furniture, Fixtures and Equipment	1,081,881	195,927	59,942	1,217,866
Vehicles	1,989,242	139,305	110,530	2,018,017
Total General Fixed Assets	$12,631,642	$476,740	$170,472	$12,937,910

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Crum and Forster for property insurance and

9. RISK MANAGEMENT (Continued)

Nationwide Insurance for fleet insurance and liability insurance coverage. Coverages provided by the above companies are as follows:

Building and Contents - replacement cost ($1,000 deductible)	$57,632,000
Boiler and Machinery ($1,000 deductible)	25,000,000
Crime Insurance ($250 deductible)	25,000
Automobile Liability ($500 deductible)	1,000,000
Uninsured Motorists ($500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System(SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

10. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits: For fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $332,947 $392,872, and $431,494, respectively; 34.31 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. $218,727 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone 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 E. Broad Street, Columbus, Ohio 43215-3771.

For fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were $882,089, $1,594,275 and $1,871,594, respectively; 80.91 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. $168,401 represents the unpaid contribution for fiscal year 1999 and 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, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

11. POSTEMPLOYMENT BENEFITS (Continued)

The STRS benefit receipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled $1,176,119 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30 1998 (the latest information available) the balance in the Fund was $2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were $219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 was established at $12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled $403,256.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), 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.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws.

Classified employees earn ten to twenty five days of vacation per fiscal year, depending upon length of service.

Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 249 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave

12. OTHER EMPLOYEE BENEFITS (Continued)

credit to a maximum of 60 days for certified employees and one-third of accrued, but unused sick leave credit to a maximum of 60 days for classified employees.

B. Insurance Benefits

The School District provides health insurance through United Health Care. Life insurance, accidental death, and dismemberment insurance is provided to most employees through CoreSource.

C. Retirement Incentive

The School District Board of Education approved a Retirement Incentive program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for “full retirement” under the State Teachers Retirement system of Ohio and must do so prior to exceeding 30 years of service with the School District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to $1,000 times each year of Northmont service, not to exceed $20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement.

13. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of $577,612.

This amount represents the present value of the minimum lease payments at the time of acquisition.

A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 1999 totaled $53,894 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	General Long-Term Debt Account Group
2000	$72,373
2001	70,344
2002	70,344
2003	70,344
2004	70,344

2005 - 2006	82,068
Total	435,817
Less: Amount Representing Interest	(68,739)
Present Value of Net Minimum Lease Payments	$367,078

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
Energy Conservation Notes 1997 5.6%	$380,000	$0	$40,000	$340,000
School Improvement Bonds 1991 5.6% - 6.85%	1,710,000	0	240,000	1,470,000
Total Long-Term Debt	2,090,000	0	280,000	1,810,000
Capital Leases	420,972	0	53,894	367,078
Intergovernmental Payable	341,970	285,855	341,970	285,855
Compensated Absences	2,599,040	216,707	0	2,815,747
Early Retirement Incentive	266,000	250,000	266,000	250,000
Total General Long-Term Obligations	$5,717,982	$752,562	$941,864	$5,528,680

School Energy Conservation Notes

On June 30, 1997, Northmont City School District issued $450,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a nine year period with final maturity during fiscal year 2006. The debt will be retired from savings which are anticipated from the energy conservation improvements from the general fund.

School Improvement Bonds

On July 17, 1991, Northmont City School District issued $2,900,000 in unvoted general obligation bonds for the purpose of making improvements in the School District. The bonds were issued for an twelve year period with final maturity during fiscal year 2003. The bonds will be retired from the debt service fund.

Capital leases will be paid from the general fund. Compensated absences and the early retirement incentive will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

14. LONG-TERM OBLIGATIONS (Continued)

The School District's overall voted legal debt margin was $42,539,589, the energy conservation note debt margin was $3,988,807, with an unvoted debt margin of $480,979 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	$300,000	$108,393	$408,393
2001	320,000	88,895	408,895
2002	335,000	67,795	402,795
2003	360,000	45,170	405,170
2004	385,000	20,434	405,434
2005-2006	110,000	9,240	119,240
Total	$1,810,000	$339,927	$2,149,927

15. INTERFUND ACTIVITY

As of June 30, 1999, the general fund has an interfund receivable of $100 and the parking high school special revenue fund has an interfund payable of $100.

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, early childhood center and latchkey. The table below reflects the more significant financial data relating to the enterprise funds of the Northmont Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Early Childhood Center	Latchkey	Totals
Operating Revenues	$1,386,357	$28,282	$391,781	$1,806,420
Depreciation Expense	17,312	0	5,509	22,821
Operating Loss	(397,199)	(35,575)	4,261	(428,513)
Federal and State Subsidies	248,376	0	0	248,376
Interest	22,606	0	0	22,606
Donated Commodities	85,274	0	0	85,274
Transfers-In	0	18,000	0	18,000
Net Income (Loss)	(40,943)	(17,575)	4,261	(54,257)
Fixed Asset Additions	35,455	0	30,154	65,609

Net Working Capital	132,902	(561)	88,135	220,476
Total Assets	327,867	4,019	145,500	477,386
Long-Term Intergovernmental Payable	69,595	12,654	56,646	138,895
Long-Term Compensated Absences Payable	$71,059	$0	$0	$71,059
Total Equity	92,081	(13,216)	87,583	166,448
Encumbrances Outstanding at June 30, 1999	33,896	41	18,061	51,998

17. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MDECA $60,977 for services provided during the year. Financial information can be obtained from MDECA at 201 Riverside Drive Suite 1C, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year 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 General Fund. During fiscal year 1999, the Northmont City School District paid $4,333 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

C. Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nomination committee selects individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 1999, the School District paid $15,009 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

18. INSURANCE PURCHASING POOLS

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust

The School District also participates in the EPC Benefit Plan Trust (the Plan), a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. The District paid $2,084,834 for medical and dental benefits to the Plan during the year.

19. STATE 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 Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received $13,488,749 of school foundation support for its general fund.

19. STATE SCHOOL FUNDING DECISION (Continued)

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

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

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30,1998	$0	$0	$125,804	$125,804
Current Year Set-aside Requirement	506,000	506,000	0	1,012,000
Current Year Offsets	(87,319)	0	0	(87,319)
Qualifying Disbursements	(646,000)	(2,003,000)	0	(2,649,000)
Total	($227,319)	($1,497,000)	$125,804	($1,598,515)
Cash Balance Carried Forward to FY 2000	$0	$0	$125,804	$125,804
Amount restricted for School Bus Purchase				59,280
Total Restricted Assets				$185,084

The School district did not have a current year set-aside requirement for budget stabilization because the revenue base did not increase by three percent or more. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for textbooks and instructional materials and capital acquisitions to below zero, these extra amounts may not be used

20. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

to reduce the set-aside requirements for future years. The negative amounts for textbooks and instructional materials and capital acquisitions are therefore not presented as being carried forward to the next fiscal year.

21. YEAR 2000 COMPLIANCE

In the past, there have been shortcomings in many electronic data processing systems and software due to the fact that they are not capable of correctly designating the new century at 12:00 01 a.m. on January 1, 2000. This may cause programs to process data inaccurately or to stop processing data altogether. In many cases, much time and expense is necessary to convert existing software to accommodate the year 2000 and subsequent years.

The School District uses Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education information system (EMIS) accounting services. These services are provided by the Metropolitan Dayton Educational Cooperative Association (MDECA - see Note 17). The state is responsible for remediating these systems and any associated costs.

Montgomery County collects property taxes for distribution to the School District. Montgomery County is responsible for remediation the tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

22. CONTINGENCIES

1. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 1999.

2. Litigation

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, it any, on the financial condition of the School District.

23. PRIOR PERIOD ADJUSTMENT

As a result of an error in the calculation of compensated absences in the prior period the beginning balance for compensated absences has been changed in the General Long-Term Debt Account Group from $2,108,761 to $2,599,040.

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse-ments	Non-Cash Disburse-ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	$0	$92,189	$0	$85,272
National School Lunch Program	03-PU-98	10.555	27,208	0	27,208	0
	04-PU-98		34,584	0	34,584	0
	03-PU-99		71,477	0	71,477	0
	04-PU-99		97,458	0	97,458	0
Total National School Lunch Program			230,727	0	230,727	0
School Breakfast Program	05-PU-98	10.553	922	0	922	0
	05-PU-99		2,373	0	2,373	0
Total School Breakfast Program			3,295	0	3,295	0
Total Department of Agriculture - Nutrition Cluster			234,022	92,189	234,022	85,272
UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	6B-SF-98	84.027	172,912	0	151,182	0
	6B-SF-99		0	0	19,925	0
Total Special Education-Grants to States			172,912	0	171,107	0
Special Education-Preschool Grant	PG-S1-99	84.173	2,535	0	2,535	0
Total Special Education Cluster			175,447	0	173,642	0
Grants to Local Educational Agencies (Title I)	C1-S1-98	84.010	0	0	30,803	0
	C1-S1-98C		0	0	9,506	0
	C1-S1-99		193,927	0	162,950	0
Total Grants to Local Educational Agencies (Title I)			193,927	0	203,259	0
Innovative Educational Program Strategies	C2-S1-98	84.298	0	0	105	0
	C2-S1-99		22,467	0	8,760	0
Total Innovative Educational Program Strategies			22,467	0	8,865	0
Vocational Education - Basic Grants to States	N/A	84.048	0	0	6,164	0
	N/A		8,000	0	1,885	0
Total Vocational Education - Basic Grants to States			8,000	0	8,049	0
Eisenhower Professional Development State Grants	MS-S1-98	84.281	0	0	15,478	0
	MS-S1-99		18,418	0	12,822	0
Total Eisehower Professional Development State Grants			18,418	0	28,300	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-98	84.186	0	0	3,483	0
	DR-S1-99		31,201	0	26,561	0
Total Safe and Drug-Free Schools and Communities - State Grants			31,201	0	30,044	0
Goals 2000-State and Local Education Systemic Improvement	G2-S2-97C	84.276	(1,871)	0	4,668	0
	G2-S3-98		0	0	1,655	0
	G2-S4-98		(13)	0	350	0
	G2-A2-99		2,623	0	0	0
Total Goals 2000-State and Local Education Systemic Improvement			739	0	6,673	0
(Direct Receipts)						
E-Rate Grant	N/A		13,346			
Total Department of Education			463,545	0	458,832	0
UNITED STATES DEPARTMENT OF LABOR						
Passed Through Ohio Department of Education:						
Employment Services and Job Training Pilot	WK-BE-98	17.249	20,000	0	4,500	0
Total Department of Labor			20,000	0	4,500	0
Totals			$717,567	$92,189	$697,354	$85,272

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30,1999

SIGNIFICANT ACCOUNTING POLICIES

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

NUTRITION CLUSTER

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 disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies were expended first. At June 30, 1999, the District had no significant food commodities inventory.

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

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322-2631

To the Board of Education:

We have audited the financial statements of Northmont City School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. 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 other immaterial instances of non-compliance that we have reported to management of the District in a separate letter dated December 17, 1999.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 17, 1999.

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

JIM PETRO
Auditor of State

December 17, 1999

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

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322-2631

To the Board of Education

COMPLIANCE

We have audited the compliance of Northmont City 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 are 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

INTERNAL CONTROL OVER COMPLIANCE

The management of the District's 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 of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

JIM PETRO
Auditor of State

December 17, 1999

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 noncompliance 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 Program (list):**	Title I - CFDA #84.010
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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NORTHMONT CITY 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
FEBRUARY 3, 2000