



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Northeastern Local School District
Clark County
1414 Bowman Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Northeastern Local School District, Clark County, (the District) as of and for the year ended June 30, 2000, 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 Northeastern Local School District, Clark County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund 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 February 9, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Government, 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

February 9, 2001

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**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,097,230	\$411,359	\$247,661	\$2,738,286
Cash and Cash Equivalents:				
In Segregated Accounts	0	4,000	0	0
With Fiscal Agents	0	0	11,763	0
Investments	0	0	0	0
Receivables:				
Property and Other Taxes	9,419,411	0	490,628	0
Accounts	19,767	537	0	0
Intergovernmental	36,139	0	0	0
Prepaid Items	21,794	0	0	0
Inventory Held for Resale	0	0	0	0
Inventory of Supplies and Materials	73,434	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	592,241	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$11,260,016</u>	<u>\$415,896</u>	<u>\$750,052</u>	<u>\$2,738,286</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$65,863	\$5,093	\$0	\$0
Claims Payable	0	0	0	0
Contracts Payable	0	0	0	746,163
Accrued Wages and Benefits Payable	1,634,187	27,429	0	0
Compensated Absences Payable	68,667	0	0	0
Retainage Payable	0	0	0	64,883
Intergovernmental Payable	395,841	3,784	0	0
Deferred Revenue	7,669,880	0	417,780	0
Due to Students	0	0	0	0
Matured Bonds Payable	0	0	10,000	0
Matured Interest Payable	0	0	1,763	0
Accrued Interest Payable	0	0	0	21,579
Notes Payable	0	0	0	2,800,000
Special Termination Benefit Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>9,834,438</u>	<u>36,306</u>	<u>429,543</u>	<u>3,632,625</u>
Fund Equity (Deficit) and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	195,788	73,232	0	1,045,201
Reserved for Inventory of Supplies and Materials	73,434	0	0	0
Reserved for Property Taxes	1,771,414	0	72,848	0
Reserved for Endowments	0	0	0	0
Reserved for Budget Stabilization	343,777	0	0	0
Reserved for Textbooks and Instructional Materials	106,524	0	0	0
Reserved for Bus Purchase	141,940	0	0	0
Unreserved, Undesignated (Deficit)	(1,207,299)	306,358	247,661	(1,939,540)
Total Fund Equity (Deficit) and Other Credits	<u>1,425,578</u>	<u>379,590</u>	<u>320,509</u>	<u>(894,339)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$11,260,016</u>	<u>\$415,896</u>	<u>\$750,052</u>	<u>\$2,738,286</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$126,479	\$59,367	\$71,880	\$0	\$0	\$4,752,262
0	0	0	0	0	4,000
0	0	0	0	0	11,763
0	0	10,000	0	0	10,000
0	0	0	0	0	9,910,039
0	0	0	0	0	20,304
0	0	0	0	0	36,139
0	0	0	0	0	21,794
29,479	0	0	0	0	29,479
7,536	0	0	0	0	80,970
0	0	0	0	0	592,241
40,697	0	0	16,385,870	0	16,426,567
0	0	0	0	320,509	320,509
0	0	0	0	6,310,046	6,310,046
<u>\$204,191</u>	<u>\$59,367</u>	<u>\$81,880</u>	<u>\$16,385,870</u>	<u>\$6,630,555</u>	<u>\$38,526,113</u>

\$60	\$0	\$0	\$0	\$0	\$71,016
0	22,215	0	0	0	\$22,215
0	0	0	0	0	746,163
56,592	0	0	0	0	1,718,208
27,720	0	0	0	1,093,778	1,190,165
0	0	0	0	0	64,883
26,980	0	39	0	191,777	618,421
11,769	0	0	0	0	8,099,429
0	0	71,350	0	0	71,350
0	0	0	0	0	10,000
0	0	0	0	0	1,763
0	0	0	0	0	21,579
0	0	0	0	0	2,800,000
0	0	0	0	300,000	300,000
0	0	0	0	5,045,000	5,045,000
<u>123,121</u>	<u>22,215</u>	<u>71,389</u>	<u>0</u>	<u>6,630,555</u>	<u>20,780,192</u>

0	0	0	16,385,870	0	16,385,870
81,070	37,152	0	0	0	118,222
0	0	480	0	0	1,314,701
0	0	0	0	0	73,434
0	0	0	0	0	1,844,262
0	0	10,000	0	0	10,000
0	0	0	0	0	343,777
0	0	0	0	0	106,524
0	0	0	0	0	141,940
0	0	11	0	0	(2,592,809)
<u>81,070</u>	<u>37,152</u>	<u>10,491</u>	<u>16,385,870</u>	<u>0</u>	<u>17,745,921</u>
<u>\$204,191</u>	<u>\$59,367</u>	<u>\$81,880</u>	<u>\$16,385,870</u>	<u>\$6,630,555</u>	<u>\$38,526,113</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property and Other Taxes	\$9,598,012	\$0	\$495,908	\$0	\$10,093,920
Tuition and Fees	291,263	0	0	0	291,263
Interest	93,990	3,154	0	0	97,144
Intergovernmental	9,391,160	548,321	52,913	0	9,992,394
Rent	9,260	0	0	0	9,260
Extracurricular Activities	0	205,974	0	0	205,974
Gifts and Donations	0	46,346	0	0	46,346
Miscellaneous	32,989	15,192	0	0	48,181
Total Revenues	19,416,674	818,987	548,821	0	20,784,482
Expenditures:					
Current:					
Instruction:					
Regular	8,554,801	191,226	0	9,861	8,755,888
Special	1,551,503	181,698	0	0	1,733,201
Vocational	401,339	180	0	0	401,519
Other	89,503	0	0	0	89,503
Support Services:					
Pupils	1,002,010	22,294	0	0	1,024,304
Instructional Staff	860,194	57,190	0	690	918,074
Board of Education	51,140	0	0	0	51,140
Administration	1,734,733	18,751	13	0	1,753,497
Fiscal	480,198	882	8,230	0	489,310
Operation and Maintenance of Plant	1,906,030	13,050	0	0	1,919,080
Pupil Transportation	1,071,980	176	0	0	1,072,156
Operation of Non-Instructional Services	0	48,638	0	0	48,638
Extracurricular Activities	368,643	159,614	0	0	528,257
Capital Outlay	76,770	0	0	934,492	1,011,262
Debt Service:					
Principal Retirement	0	0	100,000	0	100,000
Interest and Fiscal Charges	916	0	286,732	21,580	309,228
Total Expenditures	18,149,760	693,699	394,975	966,623	20,205,057
Excess of Revenues Over (Under) Expenditures	1,266,914	125,288	153,846	(966,623)	579,425
Other Financing Sources:					
Proceeds from Sale of Fixed Assets	1,128	0	0	0	1,128
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	1,268,042	125,288	153,846	(966,623)	580,553
Fund Balances at Beginning of Year	137,280	254,302	166,663	72,284	630,529
Increase in Reserve for Inventory	20,256	0	0	0	20,256
Fund Balances (Deficit) at End of Year	\$1,425,578	\$379,590	\$320,509	(\$894,339)	\$1,231,338

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

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**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$9,057,404	\$9,057,404	\$0	\$0	\$0	\$0
Tuition and Fees	277,803	277,803	0	0	0	0
Interest	93,953	93,953	0	3,154	3,154	0
Intergovernmental	9,493,002	9,493,002	0	629,493	629,493	0
Rent	9,260	9,260	0	0	0	0
Extracurricular Activities	0	0	0	208,376	208,376	0
Gifts and Donations	0	0	0	46,346	46,346	0
Miscellaneous	16,719	16,719	0	16,562	16,562	0
Total Revenues	18,948,141	18,948,141	0	903,931	903,931	0
Expenditures:						
Current:						
Instruction:						
Regular	8,527,077	8,527,077	0	214,094	214,094	0
Special	1,545,833	1,545,833	0	177,893	177,893	0
Vocational	408,371	408,371	0	180	180	0
Other	103,729	103,729	0	0	0	0
Support Services:						
Pupils	970,133	970,133	0	26,554	26,554	0
Instructional Staff	879,695	879,695	0	91,739	91,739	0
Board of Education	52,497	52,497	0	0	0	0
Administration	1,692,428	1,692,428	0	18,751	18,751	0
Fiscal	471,620	471,620	0	882	882	0
Operation and Maintenance of Plant	1,910,026	1,910,026	0	13,150	13,150	0
Pupil Transportation	1,206,302	1,206,302	0	176	176	0
Operation of Non-Instructional Services	0	0	0	52,319	52,319	0
Extracurricular Activities	369,364	369,364	0	171,245	171,245	0
Capital Outlay	87,770	87,770	0	0	0	0
Debt Service:						
Principal Retirement	25,000	25,000	0	0	0	0
Interest and Fiscal Charges	999	999	0	0	0	0
Total Expenditures	18,250,844	18,250,844	0	766,983	766,983	0
Excess of Revenues Over (Under) Expenditures	697,297	697,297	0	136,948	136,948	0
Other Financing Sources (Uses):						
Proceeds from Sale of Short-Term Note:	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,128	1,128	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(82,726)	(82,726)	0
Refund of Prior Year Expenditures	24,337	24,337	0	0	0	0
Total Other Financing Sources (Uses)	25,465	25,465	0	(82,726)	(82,726)	0
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	722,762	722,762	0	54,222	54,222	0
Fund Balances at Beginning of Year	599,432	599,432	0	240,643	240,643	0
Prior Year Encumbrances Appropriated	136,894	136,894	0	40,731	40,731	0
Fund Balances at End of Year	\$1,459,088	\$1,459,088	\$0	\$335,596	\$335,596	\$0

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

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$473,676	\$473,676	\$0	\$0	\$0	\$0	\$9,531,080	\$9,531,080	\$0
0	0	0	0	0	0	277,803	277,803	0
0	0	0	0	0	0	97,107	97,107	0
52,913	52,913	0	0	0	0	10,175,408	10,175,408	0
0	0	0	0	0	0	9,260	9,260	0
0	0	0	0	0	0	208,376	208,376	0
0	0	0	0	0	0	46,346	46,346	0
0	0	0	0	0	0	33,281	33,281	0
<u>526,589</u>	<u>526,589</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,378,661</u>	<u>20,378,661</u>	<u>0</u>
0	0	0	10,441	10,441	0	8,751,612	8,751,612	0
0	0	0	0	0	0	1,723,726	1,723,726	0
0	0	0	0	0	0	408,551	408,551	0
0	0	0	0	0	0	103,729	103,729	0
0	0	0	0	0	0	996,687	996,687	0
0	0	0	2,211	2,211	0	973,645	973,645	0
0	0	0	0	0	0	52,497	52,497	0
13	13	0	0	0	0	1,711,192	1,711,192	0
8,230	8,230	0	0	0	0	480,732	480,732	0
0	0	0	0	0	0	1,923,176	1,923,176	0
0	0	0	0	0	0	1,206,478	1,206,478	0
0	0	0	0	0	0	52,319	52,319	0
0	0	0	0	0	0	540,609	540,609	0
0	0	0	1,914,811	1,914,811	0	2,002,581	2,002,581	0
100,000	100,000	0	0	0	0	125,000	125,000	0
286,732	286,732	0	0	0	0	287,731	287,731	0
<u>394,975</u>	<u>394,975</u>	<u>0</u>	<u>1,927,463</u>	<u>1,927,463</u>	<u>0</u>	<u>21,340,265</u>	<u>21,340,265</u>	<u>0</u>
131,614	131,614	0	(1,927,463)	(1,927,463)	0	(961,604)	(961,604)	0
0	0	0	2,800,000	2,800,000	0	2,800,000	2,800,000	0
0	0	0	0	0	0	1,128	1,128	0
0	0	0	0	0	0	(82,726)	(82,726)	0
0	0	0	0	0	0	24,337	24,337	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>0</u>	<u>2,742,739</u>	<u>2,742,739</u>	<u>0</u>
131,614	131,614	0	872,537	872,537	0	1,781,135	1,781,135	0
116,047	116,047	0	25,642	25,642	0	981,764	981,764	0
0	0	0	48,743	48,743	0	226,368	226,368	0
<u>\$247,661</u>	<u>\$247,661</u>	<u>\$0</u>	<u>\$946,922</u>	<u>\$946,922</u>	<u>\$0</u>	<u>\$2,989,267</u>	<u>\$2,989,267</u>	<u>\$0</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Propreitary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Operating Revenues:				
Sales	\$714,390	\$0	\$0	\$714,390
Charges for Services	181,200	67,127	0	248,327
Interest	0	0	489	489
Total Operating Revenues	<u>895,590</u>	<u>67,127</u>	<u>489</u>	<u>963,206</u>
Operating Expenses:				
Salaries and Wages	418,022	0	0	418,022
Fringe Benefits	78,250	7,760	0	86,010
Contractual Services	28,761	22,215	0	50,976
Materials and Supplies	54,593	0	0	54,593
Cost of Sales	443,707	0	0	443,707
Depreciation	6,634	0	0	6,634
Other	280	0	0	280
Total Operating Expenses	<u>1,030,247</u>	<u>29,975</u>	<u>0</u>	<u>1,060,222</u>
Operating Income (Loss)	<u>(134,657)</u>	<u>37,152</u>	<u>489</u>	<u>(97,016)</u>
Non-Operating Revenues:				
Donated Commodities	46,161	0	0	46,161
Federal and State Subsidies	120,053	0	0	120,053
Interest	2,015	0	0	2,015
Other	75	0	0	75
Total Non-Operating Revenues	<u>168,304</u>	<u>0</u>	<u>0</u>	<u>168,304</u>
Net Income	33,647	37,152	489	71,288
Retained Earnings/Fund Balance at Beginning of Year	<u>47,423</u>	<u>0</u>	<u>10,002</u>	<u>57,425</u>
Retained Earnings/Fund Balance at End of Year	<u>\$81,070</u>	<u>\$37,152</u>	<u>\$10,491</u>	<u>\$128,713</u>

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

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**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	728,097	\$728,097	\$0	\$0	\$0	\$0
Charges for Services	181,200	181,200	0	67,127	67,127	0
Federal and State Subsidies	120,053	120,053	0	0	0	0
Interest	2,015	2,015	0	0	0	0
Other	75	75	0	0	0	0
Total Revenues	1,031,440	1,031,440	0	67,127	67,127	0
Expenses:						
Salaries and Wages	414,653	414,653	0	0	0	0
Fringe Benefits	101,760	101,760	0	32,359	32,359	0
Contractual Services	28,801	28,801	0	0	0	0
Materials and Supplies	451,258	451,258	0	0	0	0
Capital Outlay	13,863	13,863	0	0	0	0
Other	280	280	0	0	0	0
Total Expenses	1,010,615	1,010,615	0	32,359	32,359	0
Excess of Revenues Over Expenses	20,825	20,825	0	34,768	34,768	0
Fund Equity at Beginning of Year	102,917	102,917	0	0	0	0
Prior Year Encumbrances Appropriated	2,045	2,045	0	0	0	0
Fund Equity at End of Year	\$125,787	\$125,787	\$0	\$34,768	\$34,768	\$0

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

Non-Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$728,097	\$728,097	\$0
0	0	0	248,327	248,327	0
0	0	0	120,053	120,053	0
489	489	0	2,504	2,504	0
0	0	0	75	75	0
<u>489</u>	<u>489</u>	<u>0</u>	<u>1,099,056</u>	<u>1,099,056</u>	<u>0</u>
0	0	0	414,653	414,653	0
0	0	0	134,119	134,119	0
0	0	0	28,801	28,801	0
0	0	0	451,258	451,258	0
0	0	0	13,863	13,863	0
475	475	0	755	755	0
<u>475</u>	<u>475</u>	<u>0</u>	<u>1,043,449</u>	<u>1,043,449</u>	<u>0</u>
14	14	0	55,607	55,607	0
10,002	10,002	0	112,919	112,919	0
0	0	0	2,045	2,045	0
<u>\$10,016</u>	<u>\$10,016</u>	<u>\$0</u>	<u>\$170,571</u>	<u>\$170,571</u>	<u>\$0</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Fund	
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$909,297	\$67,127	\$0	\$976,424
Other Non-Operating Revenues	75	0	0	75
Cash Payments for Employee Services and Benefits	(516,413)	(7,760)	0	(524,173)
Cash Payments to Suppliers for Goods and Services	(482,032)	0	0	(482,032)
Other Operating Expenses	(280)	0	0	(280)
Net Cash Provided by (Used for) Operating Activities	(89,353)	59,367	0	(29,986)
Cash Flows from Noncapital Financing Activities:				
Federal and State Subsidies	120,053	0	0	120,053
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(11,200)	0	0	(11,200)
Cash Flows from Investing Activities:				
Interest	2,015	0	489	2,504
Net Increase in Cash and Cash Equivalents	21,515	59,367	489	81,371
Cash and Cash Equivalents Beginning of Year	104,964	0	2	104,966
Cash and Cash Equivalents End of Year	<u>\$126,479</u>	<u>\$59,367</u>	<u>\$491</u>	<u>186,337</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$134,657)	\$37,152	\$489	(\$97,016)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation	6,634	0	0	6,634
Other Non-Operating Revenues	75	0	0	75
Donated Commodities Received	46,161	0	0	46,161
Interest Received by Non-Expendable Trust Fund	0	0	(489)	(489)
Changes in Assets and Liabilities:				
Decrease in Intergovernmental Receivable	13,707	0	0	13,707
Decrease in Supplies and Materials Inventory	635	0	0	635
Increase in Inventory Held for Resale	(1,825)	0	0	(1,825)
Increase in Accounts Payable	60	22,215	0	22,275
Increase in Accrued Salaries Payable	1,773	0	0	1,773
Increase in Compensated Absences Payable	1,595	0	0	1,595
Decrease in Intergovernmental Payable	(23,511)	0	0	(23,511)
Net Cash Provided by (Used for) Operating Activities	<u>(\$89,353)</u>	<u>\$59,367</u>	<u>\$0</u>	<u>(\$29,986)</u>
Reconciliation of Cash and Cash Equivalents in Non-expendable Trust Fund to Balance Sheet:				
Cash and Cash Equivalents - All Fiduciary Funds			\$71,880	
Cash and Cash Equivalents - All Agency Funds			<u>(71,389)</u>	
Cash and Cash Equivalents - Non-expendable Trust Fund			<u>\$491</u>	

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Northeastern Local 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 1916 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 135 square miles. It is located in Clark County, and includes the Villages of South Vienna and Catawba, and the Townships of Moorefield, Pleasant, and Harmony. It is staffed by 160 non-certificated employees, 214 certificated full-time teaching personnel and 13 administrative employees who provide services to 3,552 students and other community members. The School District currently operates 7 buildings.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 Northeastern Local School District, this includes general operations, food service, 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 School District is associated with the Miami Valley Educational Computer Association (MVECA), Springfield/Clark County Joint Vocational School, and the Southwestern Ohio Educational Purchasing Council (SOEPC) which are defined as jointly governed organizations, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northeastern Local 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 its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 and the trust fund) 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.

Special Revenue Funds

The 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 or trust funds).

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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 are the School District's proprietary fund types:

Enterprise Funds

The enterprise funds are used to account for School District activities 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.

Internal Service Fund

The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

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 fiduciary funds include non-expendable trust and agency funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds. 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 or trust funds.

General Long-Term Obligations 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 or trust funds.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 proprietary funds and the non-expendable trust fund 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 contributed capital and retained earnings components. The School District has no contributed capital. Proprietary and non-expendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., 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 and agency funds. 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, tuition, 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue. Intergovernmental receivables for transportation costs for other school districts measurable as of June 30, 2000, but received out of the available period, are also 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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the non-expendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time 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 agency funds, 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 Clark 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 2000. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

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 the agency fund, consistent with statutory provisions. Prior to year-end, the School District approved a supplemental appropriation to match actual expenditures plus year end encumbrances.

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. 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 Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the 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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2000, investments were limited to certificates of deposit, which are reported at cost.

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 2000 amounted to \$93,990 which includes \$31,142 assigned from other School District funds. The special revenue funds, enterprise funds, and the non-expendable trust fund also received interest revenue of \$3,154, \$2,015, and \$489, respectively.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

The School District utilized a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool, are reported as investments.

E. 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 supplies and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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 five hundred dollars. The School District does not have any infrastructure.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty 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:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Program
- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Education Management Information Systems
- Public School Preschool
- Ohio Reads
- Title VI-B
- Title I
- Title VI
- County Consortium Schools
- Eisenhower Math and Science
- Professional Development Block Grant
- School Net Professional Development Grant
- Security Grant
- South Vienna Phonics
- Class Size Reduction
- Continuous Improvement

Capital Projects Funds

- School Net
- School Net Plus
- Textbooks/Instructional Materials Subsidy

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education

Special Revenue Fund

E-Rate

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 48 percent of the School District's governmental revenue during the 2000 fiscal year.

I. 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.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. 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 obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

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, the special termination benefit, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have been paid with current available financial resources. General obligation bonds are reported as a liability of the general long-term obligations account group until due.

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials and to create a reserve for budget stabilization.

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, endowments, budget stabilization, textbooks and instructional materials, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations 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. The reserve for endowments signifies the legal restrictions on the use of principal.

N. Estimates

The preparation of the 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 "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows 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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

3. ACCOUNTABILITY

At June 30, 2000, the title I and EHA preschool special revenue funds and the permanent improvement capital projects fund have deficit fund balances of \$2,739, \$92, and \$935,209, respectively, which were 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. For the permanent improvement fund, the note proceeds used to finance capital projects are not recognized as "other financing sources," but rather as a liability. The deficit will be eliminated when the notes are repaid.

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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Types and Non-Expendable Trust Fund 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 that:

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. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$1,268,042	\$125,288	\$153,846	(\$966,623)
Revenue Accruals	(444,196)	84,943	(22,232)	0
Expenditure Accruals	143,575	(76,246)	0	830,524
Note Principal Payments	(25,000)	0	0	0
Prepaid Items	10,363	0	0	0
Note Proceeds	0	0	0	2,800,000
Encumbrances	(230,022)	(79,763)	0	(1,791,364)
Budget Basis	<u>\$722,762</u>	<u>\$54,222</u>	<u>\$131,614</u>	<u>\$872,537</u>

Net Income/Excess of Revenues Over (Under) Expenses
Proprietary Fund Types and Non-Expendable Trust Fund

	Enterprise	Internal Service	Non-Expendable Trust
GAAP Basis	\$33,647	\$37,152	\$489
Revenue Accrual	13,707	0	0
Expense Accrual	(44,861)	22,215	0
Capital Outlay	11,200	0	0
Inventory	(635)	0	0
Inventory Held for Resale	1,825	0	0
Depreciation Expense	6,634	0	0
Encumbrances	(692)	(24,599)	(475)
Budget Basis	<u>\$20,825</u>	<u>\$34,768</u>	<u>\$14</u>

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand: At fiscal year end, the School District had \$892 in undeposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents in segregated accounts."

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$5,369,374 and the bank balance was \$5,712,844. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$5,612,844 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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. 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 and money market mutual funds are unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

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 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."*

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,360,266	\$10,000
Cash on Hand	(892)	0
Investments:		
Certificates of Deposits	10,000	(10,000)
GASB Statement No. 3	\$5,369,374	\$0

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, 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. 2000 public utility property taxes became a lien on December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. 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 alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$277,103,110	81.70%	\$286,257,140	80.69%
Public Utility	18,293,390	5.40%	19,849,600	5.60%
Tangible Personal Property	43,757,482	12.90%	48,649,315	13.71%
Total Assessed Value	\$339,153,982	100.00%	\$354,756,055	100.00%
Tax rate per \$1,000 of assessed valuation	\$41.64		\$41.64	

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

The School District receives property taxes from Clark 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2000. 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, 2000 was \$1,771,414 in the general fund and \$72,848 in the debt service fund.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and tuition from other school districts. 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:

	Amounts
General Fund	
Tuition	\$33,639
Driver Education	2,500
Total General Fund	\$36,139

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$379,278
Less Accumulated Depreciation	(338,581)
Net Fixed Assets	\$40,697

A summary of the changes in general fixed assets during fiscal year 2000 follows,

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Buildings	\$10,857,423	\$58,163	\$0	\$10,915,586
Furniture, Fixtures and Equipment	3,338,721	142,249	67,080	3,413,890
Vehicles	1,289,691	194,231	0	1,483,922
Textbooks	501,050	84,279	12,857	572,472
Total General Fixed Assets	\$15,986,885	\$478,922	\$79,937	\$16,385,870

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 2000, the School District contracted with Nationwide, Utica, Elkins, OliviaMeece, and Wausau Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by these insurance companies are as follows:

Building and Contents-replacement cost	\$42,195,700
Boiler and Machinery	13,490,200
Crime Insurance	10,000
Automobile Liability (\$0 deductible)	2,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000

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

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 performance is compared to 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 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 of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 2000, 5.5 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 ending June 30, 2000, 1999, and 1998 were \$123,914, \$220,563, and \$301,402, respectively, 28.26 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$88,890 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to 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 death 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$572,110, \$508,243, and \$994,664, respectively; 82.47 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$100,301 representing the unpaid contribution for fiscal year 2000, 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, 2000, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid. The remaining member of the Board is with STRS.

11. POST EMPLOYMENT 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

11. POST EMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$762,814 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, 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 2000 fiscal year equaled \$248,396.

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 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

12. 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 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 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, unused sick leave up to the maximum of 220 days. Administrators retiring in fiscal year 2000 were eligible to receive payment of 35 percent of accrued, unused sick leave up to the maximum of 220 days.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance. Medical/surgical is offered to employees through EPC Insurance Consortium.

The School District provides employee dental coverage through CoreSource. The School District began a self-funded prescription drug plan as of June 1, 2000 through Ameriscript. The liability at year-end was \$22,215 and is reported in the Internal Service Fund.

C. Special Termination Benefit

The School District offered a special termination benefit plan during fiscal year 2000. To participate in the retirement incentive plan, an employee must opt for this program the first time they are eligible to retire with 30 years of experience, or the first year eligible according to STRS. The special termination benefit amount is \$20,000, payable over the next three years after retirement in three equal payments beginning on June 1, 2001, and ending June 1, 2003. The program will be in place for fiscal year 2001 also. The total liability recorded in the general long-term obligations account group for the special termination benefit is \$300,000.

13. SHORT-TERM OBLIGATIONS

During fiscal year 2000, the School District retired the Energy Conservation Loan issued during 1999 and on May 3, 2000 issued a one year, \$2,800,000 Tax Anticipation Note for the purpose of financing various improvements to buildings in the School District. This note is backed by the full faith and credit of the School District. The note liability is reflected in the permanent improvement fund, the fund which received the proceeds.

As of June 30, 2000, the School District had the following short term obligations outstanding:

	Amount Outstanding June 30, 1999	Additions	Deductions	Amount Outstanding June 30, 2000
General Fund:				
Energy Conservation Loan - 4%	\$25,000	\$0	\$25,000	\$0
Permanent Improvement Fund				
Tax Anticipation Note - 4.85%	0	2,800,000	0	2,800,000
Total	\$25,000	\$2,800,000	\$25,000	\$2,800,000

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding June 30, 1999	Additions	Deductions	Amount Outstanding June 30, 2000
General Obligation Bonds:				
1996 Building Issue - 5.125 to 6%	\$5,145,000	\$0	\$100,000	\$5,045,000
Intergovernmental Payable	153,942	191,777	153,942	191,777
Special Termination Benefit	300,000	100,000	100,000	300,000
Compensated Absences	1,317,384	0	223,606	1,093,778
Total General Long-Term Obligations	<u>\$6,916,326</u>	<u>\$291,777</u>	<u>\$577,548</u>	<u>\$6,630,555</u>

1996 General Obligation Bonds - On March 1, 1996, Northeastern Local School District issued \$5,300,000 in voted general obligation bonds for the purpose of an addition and improvement to the District's buildings. The bonds were issued for a twenty-two year period with final maturity at December 1, 2018. The bonds will be retired from the debt service fund.

Compensated absences will be paid from the fund from which the person is paid. The special termination benefit will be paid from the general fund. 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.

The School District's overall legal debt margin was \$27,203,554, with an unvoted debt margin of \$354,756 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Totals
2001	\$110,000	\$280,533	\$390,533
2002	120,000	273,632	393,632
2003	135,000	265,983	400,983
2004	150,000	257,432	407,432
2005	165,000	247,983	412,983
2006-2010	1,100,000	1,069,180	2,169,180
2011-2015	1,650,000	690,975	2,340,975
2016-2019	1,615,000	180,236	1,795,236
Total	<u>\$5,045,000</u>	<u>\$3,265,954</u>	<u>\$8,310,954</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and a latchkey program. The table below reflects the more significant financial data relating to the enterprise funds of the Northeastern Local School District as of and for the fiscal year ended June 30, 2000.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Food Service	Latchkey	Total Enterprise Funds
Operating Revenues	\$714,390	\$181,200	\$895,590
Depreciation Expense	1,290	5,344	6,634
Operating Income (Loss)	(151,842)	17,185	(134,657)
Donated Commodities	46,161	0	46,161
Federal and State Subsidies	120,053	0	120,053
Interest	2,015	0	2,015
Other Revenue	75	0	75
Net Income	16,462	17,185	33,647
Fixed Assets Additions	0	11,200	11,200
Long - Term Liabilities Payable from Revenue	32,130	11,550	43,680
Net Working Capital	61,041	34,780	95,821
Total Assets	119,312	84,879	204,191
Total Equity	24,609	56,461	81,070
Encumbrances Outstanding at June 30, 2000	\$100	\$592	\$692

16. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association (MVECA) - The School District is a participant in MVECA which is a computer consortium. MVECA 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 districts.

The governing board of MVECA 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 MVECA \$42,512 for services provided during the year. Financial information can be obtained from MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Mad River-Green Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District did not have any financial transactions with this organization for fiscal year 2000. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Mary Beth Kemmer, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Educational Purchasing Council (SOEPC) - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the cooperative is to obtain prices for the quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. A one year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member will be liable for all member obligations during this one year period. Payments to SOEPC are made from the general fund. The District contributed \$1,680 for the operation of the consortium during fiscal year 2000. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as director, at 1831 Harshman Road, Dayton, Ohio 45424.

17. INSURANCE PURCHASING POOL

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 GRP 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 cost of administering the program. The premium paid for fiscal year 2000 was \$16,350, which is 1.37 percent of the total trust.

18. 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, 2000, the School District received \$8,076,428 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State 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. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

18. STATE SCHOOL FUNDING DECISION (Continued)

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.

19. SET-ASIDE CALCULATIONS

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$201,362
Current Year Set-aside Requirement	426,848	426,848	142,283
Workers' Compensation Refund for FY '00	0	0	132
Qualifying Disbursements	<u>(320,324)</u>	<u>(426,848)</u>	<u>0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$106,524</u>	<u>\$0</u>	<u>\$343,777</u>
Set-aside Reserve Balances as of June 30, 2000	<u>\$106,524</u>		<u>\$343,777</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, and these extra amounts may be used to reduce the set-aside requirements of future years, the School District has decided to not carry over such negative balances to the next year. The total reserve balance for the textbooks and budget stabilization set-asides at the end of the fiscal year was \$450,301

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, the School District had entered into the following contracts:

<u>Contractor</u>	<u>Services Provided</u>	<u>Amount</u>
Widener/Posey	Architectural Services related to the Permanent Improvement Levy for construction projects	\$97,140
Field & Associates	Roof repair related to the Permanent Improvement Levy	1,056,919
T.W. Estes	Roof repair related to the Permanent Improvement Levy	598,485

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

21. CONTINGENCIES

A. 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, 2000.

B. Litigation

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$47,881	\$0	\$46,161
National School Breakfast Program	05PU99	10.553	290		290	
	05PU00		7,890		7,890	
Total National School Breakfast Program			8,181	47,881	8,181	
National School Lunch Program	03PU99	10.555	11,488	0	11,488	0
	03PU00		34,885	0	34,885	0
	04PU99		14,037	0	14,037	0
	04PU00		47,161	0	47,161	0
Total National School Lunch Program			107,571	0	107,571	0
Total US Department of Agriculture - Nutrition Cluster			115,752	47,881	115,752	49,439
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I - Grants to Local Educational Agencies	C1S100	84.010	49,222	0	50,120	0
Special Education Cluster:						
Special Education - Grants to State	6BSF00	84.027	150,483	0	126,919	0
Education Handicapped Pre-School Grant	PGS100	84.173	14,310	0	14,310	0
Total Special Education Cluster			164,793	0	141,229	0
Safe and Drug Free Schools and Communities - State Grants	DRS100	84.186	15,606	0	15,130	0
	DRS198		(200)	0	0	0
Total Safe and Drug Free Schools and Communities - State Grants			15,406	0	15,130	0
Eisenhower Professional Development State Grants	MSS100	84.281	9,845	0	11,816	0
Innovative Education Program Strategy	C2S198	84.298	(855)	0	0	0
	C2S199		2,262	0	7,049	0
	C2S100		14,504	0	6,160	0
Total Innovative Education Program Strategy			15,911	0	13,209	0
GOALS 2000 - State and Local Education Systematic Improvement	G2S299	84.276	0	0	8,944	
Class Size Reduction	CRS100	84.340	25,568		24,489	0
Total US Department of Education			280,745	0	264,937	0
U.S. DEPARTMENT OF LAND MANAGEMENT						
(Passed through Clark County)						
Federal Flood Control Program	PL99-258	15.226	2,340	0	2,340	0
Total Federal Assistance			\$398,836	\$47,881	\$383,029	\$46,161

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

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

Northeastern Local School District
Clark County
1414 Bowman Road
Springfield, Ohio 45502

We have audited the financial statements of Northeastern Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated February 9, 2001. 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 Northeastern Local School 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 certain immaterial instances of noncompliance that we have reported to management of Northeastern Local School District in a separate letter dated February 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeastern Local School 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 that do not require inclusion in this report, that we have reported to management of Northeastern Local School District in a separate letter dated February 9, 2001.

Northeastern Local School District
Clark County
Report of Independent Accountants on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 9, 2001



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

Northeastern Local School District
Clark County
1414 Bowman Road
Springfield, Ohio 45502

To the Board of Education:

Compliance

We have audited the compliance of Northeastern Local School 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, 2000. Northeastern Local School 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 Northeastern Local School District's management. Our responsibility is to express an opinion on Northeastern Local School 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 Northeastern Local School 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 Northeastern Local School District's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

February 9, 2001

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

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

*CFDA #10.550, Food Distribution Program, CFDA # 10.553, National School Breakfast Program, CFDA #10.555, National School Lunch Program

**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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NORTHEASTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2001**