



**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Newton Local School District
Miami County
P. O. Box 803
201 N. Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

JIM PETRO
Auditor of State

January 27, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$684,732	\$75,122	\$126,450	\$1,237,778
Cash and Cash Equivalents with Fiscal Agent	0	1,347	0	0
Investments	0	0	0	0
Receivables:				
Property Taxes	829,641	0	78,937	0
Income Taxes	184,302	0	0	0
Accounts	2,161	0	0	0
Intergovernmental	51,373	0	0	0
Accrued Interest	1,849	0	0	0
Interfund	11,258	0	0	0
Prepaid Items	54	0	0	0
Inventory of Supplies and Materials	10,099	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	39,073	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 Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	\$1,814,542	\$76,469	\$205,387	\$1,237,778
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$23,275	\$27,518	\$0	\$0
Accrued Wages and Benefits Payable	276,226	148	0	0
Contracts Payable	0	0	0	250,265
Contracts Payable - Retainage	0	0	0	102,589
Intergovernmental Payable	79,546	275	0	0
Interfund Payable	0	0	0	11,258
Due To Students	0	0	0	0
Deferred Revenue	787,541	0	74,661	0
Compensated Absences Payable	25,394	0	0	0
Accrued Interest Payable	2,923	0	0	0
Energy Conservation Loan Payable	67,144	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,262,049	27,941	74,661	364,112
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	3,694	985	0	209,651
Reserved for Inventory of Supplies and Materials	10,099	0	0	0
Reserved for Property Taxes	43,538	0	4,276	0
Reserved for Budget Stabilization	39,073	0	0	0
Unreserved, Undesignated	456,089	47,543	126,450	664,015
Total Fund Equity (Deficit) and Other Credits	552,493	48,528	130,726	873,666
Total Liabilities, Fund Equity and Other Credits	\$1,814,542	\$76,469	\$205,387	\$1,237,778

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$222	\$35,917	\$0	\$0	\$2,160,221
0	0	0	0	1,347
0	36,464	0	0	36,464
0	0	0	0	908,578
0	0	0	0	184,302
38	10,000	0	0	12,199
3,103	0	0	0	54,476
0	124	0	0	1,973
0	0	0	0	11,258
0	0	0	0	54
204	0	0	0	10,303
2,468	0	0	0	2,468
0	0	0	0	39,073
9,415	0	3,833,663	0	3,843,078
0	0	0	130,726	130,726
0	0	0	2,260,108	2,260,108
\$15,450	\$82,505	\$3,833,663	\$2,390,834	\$9,656,628
\$0	\$0	\$0	\$0	\$50,793
4,004	0	0	0	280,378
0	0	0	0	250,265
0	0	0	0	102,589
12,071	0	0	36,443	128,335
0	0	0	0	11,258
0	26,308	0	0	26,308
1,161	9,000	0	0	872,363
7,473	0	0	262,037	294,904
0	0	0	0	2,923
0	0	0	0	67,144
0	0	0	2,354	2,354
0	0	0	2,090,000	2,090,000
24,709	35,308	0	2,390,834	4,179,614
0	0	3,833,663	0	3,833,663
(9,259)	0	0	0	(9,259)
0	0	0	0	214,330
0	0	0	0	10,099
0	0	0	0	47,814
0	0	0	0	39,073
0	47,197	0	0	1,341,294
(9,259)	47,197	3,833,663	0	5,477,014
\$15,450	\$82,505	\$3,833,663	\$2,390,834	\$9,656,628

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

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$792,904	\$0	\$83,243	\$0	\$0	\$876,147
Income Taxes	502,533	0	0	0	0	502,533
Tuition and Fees	16,412	0	0	0	0	16,412
Interest	56,316	0	6,807	107,862	1,694	172,679
Intergovernmental	1,909,830	84,719	11,314	345,453	0	2,351,316
Extracurricular Activities	0	105,120	0	0	0	105,120
Miscellaneous	866	6,010	0	16,690	2,070	25,636
Total Revenues	3,278,861	195,849	101,364	470,005	3,764	4,049,843
Expenditures:						
Current:						
Instruction:						
Regular	1,815,688	16,677	0	5,149	0	1,837,514
Special	194,387	44,575	0	0	0	238,962
Vocational	54,670	0	0	0	0	54,670
Support Services:						
Pupils	115,840	0	0	0	0	115,840
Instructional Staff	172,924	4,076	0	0	0	177,000
Board of Education	4,765	0	0	0	0	4,765
Administration	360,402	44,371	0	0	0	404,773
Fiscal	119,837	0	1,457	0	0	121,294
Business	750	0	0	0	0	750
Operation and Maintenance of Plant	234,988	0	0	0	0	234,988
Pupil Transportation	191,733	0	0	0	0	191,733
Central	0	4,540	0	0	0	4,540
Operation of Non-Instructional Services	0	1,900	0	0	0	1,900
Extracurricular Activities	79,648	69,302	0	0	0	148,950
Capital Outlay	0	0	0	2,014,516	0	2,014,516
Debt Service:						
Principal Retirement	936	0	60,000	0	0	60,936
Interest and Fiscal Charges	3,800	0	111,300	0	0	115,100
Total Expenditures	3,350,368	185,441	172,757	2,019,665	0	5,728,231
Excess of Revenues Over (Under) Expenditures	(71,507)	10,408	(71,393)	(1,549,660)	3,764	(1,678,388)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	150	0	0	0	0	150
Operating Transfers - In	0	0	80,000	0	0	80,000
Operating Transfers - Out	(91,546)	0	0	0	0	(91,546)
Total Other Financing Sources (Uses)	(91,396)	0	80,000	0	0	(11,396)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(162,903)	10,408	8,607	(1,549,660)	3,764	(1,689,784)
Fund Balances at Beginning of Year	715,034	38,120	122,119	2,423,326	43,433	3,342,032
Increase in Reserve for Inventory	362	0	0	0	0	362
Fund Balances at End of Year	\$552,493	\$48,528	\$130,726	\$873,666	\$47,197	\$1,652,610

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

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$787,501	\$782,277	(\$5,224)	\$0	\$0	\$0
Income Taxes	521,280	517,822	(3,458)	0	0	0
Tuition and Fees	15,794	15,689	(105)	0	0	0
Interest	57,573	57,177	(396)	0	0	0
Intergovernmental	1,872,928	1,860,504	(12,424)	77,507	77,507	0
Extracurricular Activities	0	0	0	65,235	105,612	40,377
Miscellaneous	866	866	0	996	6,656	5,660
Total Revenues	3,255,942	3,234,335	(21,607)	143,738	189,775	46,037
Expenditures:						
Current:						
Instruction:						
Regular	1,794,086	1,794,086	0	15,585	15,585	0
Special	191,351	191,351	0	47,174	47,174	0
Vocational	54,029	54,029	0	0	0	0
Support Services:						
Pupils	104,473	104,473	0	0	0	0
Instructional Staff	163,977	163,977	0	2,982	2,982	0
Board of Education	4,225	4,225	0	0	0	0
Administration	354,731	354,731	0	44,654	44,654	0
Fiscal	120,982	120,982	0	0	0	0
Business	750	750	0	0	0	0
Operation and Maintenance of Plant	218,208	218,208	0	0	0	0
Pupil Transportation	189,759	189,759	0	0	0	0
Central	0	0	0	4,540	4,540	0
Operation of Non-Instructional Services	0	0	0	1,900	1,900	0
Extracurricular Activities	80,128	80,128	0	70,487	70,487	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	30,000	30,000	0	0	0	0
Interest and Fiscal Charges	4,614	4,614	0	0	0	0
Total Expenditures	3,311,313	3,311,313	0	187,322	187,322	0
Excess of Revenues Over (Under) Expenditures:	(55,371)	(76,978)	(21,607)	(43,584)	2,453	46,037
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	150	150	0	0	0	0
Refund of Prior Year Expenditures	1,093	1,093	0	65	65	0
Advances - In	0	0	0	0	0	0
Advances - Out	(11,258)	(11,258)	0	0	0	0
Operating Transfers - In	0	0	0	0	0	0
Operating Transfers - Out	(91,546)	(91,546)	0	0	0	0
Total Other Financing Sources (Uses)	(101,561)	(101,561)	0	65	65	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(156,932)	(178,539)	(21,607)	(43,519)	2,518	46,037
Fund Balances at Beginning of Year	889,610	889,610	0	42,487	42,487	0
Prior Year Encumbrances Appropriated	4,099	4,099	0	1,616	1,616	0
Fund Balances at End of Year	\$736,777	\$715,170	(\$21,607)	\$584	\$46,621	\$46,037

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$83,104	\$83,137	\$33	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
6,807	6,807	0	69,420	107,860	38,440	1,600	1,722	122
11,314	11,314	0	368,478	345,454	(23,024)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	10,730	16,691	5,961	0	0	0
101,225	101,258	33	448,628	470,005	21,377	1,600	1,722	122
0	0	0	5,329	5,329	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
1,457	1,457	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,000	2,000	0
0	0	0	0	0	0	0	0	0
0	0	0	1,939,635	1,939,635	0	0	0	0
60,000	60,000	0	0	0	0	0	0	0
111,300	111,300	0	0	0	0	0	0	0
172,757	172,757	0	1,944,964	1,944,964	0	2,000	2,000	0
(71,532)	(71,499)	33	(1,496,336)	(1,474,959)	21,377	(400)	(278)	122
0	0	0	0	0	0	0	0	0
0	0	0	0	180	180	3,675	4,070	395
0	0	0	12,181	11,258	(923)	0	0	0
0	0	0	0	0	0	0	0	0
79,974	80,000	26	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
79,974	80,000	26	12,181	11,438	(743)	3,675	4,070	395
8,442	8,501	59	(1,484,155)	(1,463,521)	20,634	3,275	3,792	517
117,949	117,949	0	2,418,524	2,418,524	0	42,389	42,389	0
0	0	0	4,800	4,800	0	0	0	0
\$126,391	\$126,450	\$59	\$939,169	\$959,803	\$20,634	\$45,664	\$46,181	\$517

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Revenues:	
Sales	\$111,845
Other Revenue	38
Total Operating Revenues	<u>111,883</u>
 Operating Expenses:	
Salaries and Wages	47,753
Fringe Benefits	20,256
Purchased Services	1,977
Supplies and Materials	2,589
Cost of Sales	86,037
Depreciation	1,641
Other Operating Expenses	993
Total Operating Expenses	<u>161,246</u>
Operating Loss	<u>(49,363)</u>
 Non-Operating Revenues:	
Federal Donated Commodities	9,806
Federal and State Subsidies	21,212
Total Non-Operating Revenues	<u>31,018</u>
Loss Before Operating Transfers	(18,345)
Operating Transfers - In	<u>11,546</u>
Net Loss	(6,799)
Retained Earnings (Deficit) at Beginning of Year	<u>(2,460)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$9,259)</u></u>

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$97,950	\$111,845	\$13,895
Federal and State Subsidies	18,459	21,587	3,128
Total Revenues	<u>116,409</u>	<u>133,432</u>	<u>17,023</u>
Expenses:			
Salaries and Wages	50,286	50,286	0
Fringe Benefits	16,630	16,630	0
Purchased Services	2,200	2,200	0
Supplies and Materials	78,212	78,212	0
Other	993	993	0
Capital Outlay	3,229	3,229	0
Total Expenses	<u>151,550</u>	<u>151,550</u>	<u>0</u>
Excess of Revenues Under Expenses Before Operating Transfers	(35,141)	(18,118)	17,023
Operating Transfers - In	<u>9,990</u>	<u>11,546</u>	<u>1,556</u>
Excess of Revenues Under Expenses and Operating Transfers	(25,151)	(6,572)	18,579
Fund Equity at Beginning of Year	5,124	5,124	0
Prior Year Encumbrances Appropriated	1,448	1,448	0
Fund Equity (Deficit) at End of Year	<u>(\$18,579)</u>	<u>\$0</u>	<u>\$18,579</u>

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

**STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$111,846
Cash Payments for Employee Services and Benefits	(66,916)
Cash Payments to Suppliers for Goods and Services	(80,694)
Other Operating Expenses	(993)
Net Cash Used In Operating Activities	<u>(36,757)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	21,587
Operating Transfers - In	11,546
Net Cash Provided By Noncapital Financing Activities	<u>33,133</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	<u>(2,725)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(2,725)</u>

Net Decrease in Cash and Cash Equivalents (6,349)

Cash and Cash Equivalents Beginning of Year 6,571
 Cash and Cash Equivalents End of Year \$222

Reconciliation of Operating Loss to Net

Cash Used In Operating Activities:

Operating Loss (\$49,363)

Adjustments to Reconcile Operating Loss to

Net Cash Used In Operating Activities:

Depreciation	1,641
Donated Commodities Received	9,806
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(38)
Increase in Supplies Inventory	(156)
Decrease in Inventory Held for Resale	260
Decrease in Accrued Wages and Benefits Payable	(520)
Increase in Intergovernmental Payable	3,881
Decrease in Compensated Absences Payable	(2,268)
Net Cash Used In Operating Activities	<u><u>(\$36,757)</u></u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Newton Local 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 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. The School District is the 581st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 42 non-certificated employees, 26 certificated full-time teaching personnel and 4 administrative employees who provide services to 616 students and other community members. The School District currently operates 1 instructional-administrative building and 1 bus garage.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Newton 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 following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

Village of Pleasant Hill - The village government of Pleasant Hill is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Newton 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.

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.

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 trust funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. 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 expendable trusts or 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).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the School District's proprietary fund type:

Enterprise Funds - 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.

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 expendable trust funds and an agency fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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 Debt Account Group

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the 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 does not have any contributed capital. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, 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, taxpayer-assessed income taxes, interest, 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, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period when 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 Data

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Teacher Development, Eisenhower Grant and Preschool Grant Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary 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.

Advances In and Advances Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

Estimated Resources:

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

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

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. During the year, one supplemental appropriations was legally enacted; however, it was not significant.

Prior to year end, the School District passed appropriations to match expenditures plus encumbrances.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

Appropriations: (continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including the 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.

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.

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, 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.

The balance of various grants administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits of the Miami County Educational Service Center.

During fiscal year 1999, investments consisted of STAR Ohio, certificates of deposit, and Dayton Power and Light stock.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the following funds to receive an allocation of interest earnings: the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvement and Building Capital Projects Funds, and the Scholarship Loan and the American Legion Scholarship Loan Expendable Trust Funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$56,316 which includes \$9,084 assigned from other School District funds. The Debt Service, Capital Projects, and Expendable Trust Funds also earned interest in the amounts of \$6,807, \$107,862, and \$1,694, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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 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, 1999, 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 is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required to be set-aside by the School District to create a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Estimates

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

I. 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 fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets and Depreciation (continued)

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.

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 ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. 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
 - State Property Tax Relief
 - School Bus Purchase Program

Non-Reimbursable Grants

- Special Revenue Funds
 - Teacher Development
 - Education Management Information Systems
 - Eisenhower Grant
 - Title I
 - Title III
 - Title VI
 - Title VI-B
 - Instructional Materials Subsidy
 - Preschool Grant
- Capital Projects Funds
 - SchoolNet Plus
 - Technology Equity

Reimbursable Grants

- General Fund
 - Driver Education
- Proprietary Funds
 - National School Lunch Program
 - Government Donated Commodities

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Intergovernmental Revenues (continued)

Grants and entitlements received in governmental funds amounted to approximately 58 percent of governmental fund operating revenue during the 1999 fiscal year.

K. Compensated Absences

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

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

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

L. 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 and pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases and long-term loans are reported as a liability of the General Long-Term Debt Account Group until due.

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

M. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventory of supplies and materials, and budget stabilization. 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 revenue and expenditures.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

The following funds had appropriations in excess of estimated revenues and available balances at June 30, 1999:

Fund	Appropriations	Estimated Revenues Plus Available Balances	Variance
Special Revenue Fund:			
Extracurricular Fund	\$70,487	\$53,696	(\$16,791)
Capital Projects Funds:			
SchoolNet Plus Fund	429	250	(179)
Emergency Repairs Fund	351,812	0	(351,812)
Enterprise Funds:			
Food Service	127,846	110,272	(17,574)
Uniform School Supplies	23,704	22,699	(1,005)

The following funds had fund deficits at June 30, 1999:

Fund	Amount
Special Revenue Fund:	
Education Management Information Systems	\$231
Title VI-B Fund	97
Capital Projects Fund:	
Emergency Building Repair Fund	11,258
Enterprise Fund:	
Food Service	9,259

The deficits were caused by the application of generally accepted accounting principals. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds 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. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Newton Local School District are included in the Special Revenue Funds for GAAP reporting purposes.
5. 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).
6. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
7. Advances are operating transactions (budget basis) as opposed to balance sheet transactions.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$162,903)	\$10,408	\$8,607	(\$1,549,660)	\$3,764
Revenue Accruals	(43,433)	1,203	(106)	180	2,028
Expenditure Accruals	85,663	20,400	0	352,676	(2,000)
Prepays	(6,847)	0	0	0	0
Principal Payments	(30,000)	0	0	0	0
Advances	(11,258)	0	0	11,258	0
Excess of Revenues Over Expenditures (Non- Budgeted Funds)	0	(990)	0	0	0
Encumbrances	(9,761)	(28,503)	0	(277,975)	0
Budget Basis	<u>(\$178,539)</u>	<u>\$2,518</u>	<u>\$8,501</u>	<u>(\$1,463,521)</u>	<u>\$3,792</u>

**Net Loss/Excess of Revenues Under Expenses
and Operating Transfers
All Enterprise Funds**

GAAP Basis	(\$6,799)
Revenue Accruals	337
Expense Accruals	1,300
Inventory of Supplies and Materials	156
Inventory Held for Resale	(260)
Acquisition of Capital Assets	(2,725)
Depreciation Expense	1,641
Encumbrances	<u>(222)</u>
Budget Basis	<u>(\$6,572)</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. DEPOSITS AND INVESTMENTS (continued)

8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Cash on Hand: At fiscal year end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$1,347 shown in the Special Revenue Funds is maintained with the Miami County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from its annual report.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,822,726 and the bank balance was \$1,892,833. Of the bank balance:

1. \$135,274 was covered by federal depository insurance; and
2. \$1,757,559 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

The School District's investments at year-end consisted of STAR Ohio and Dayton Power and Light stock. STAR Ohio is an unclassified investment, with a fair value of \$411,542. The stock is a Category 1 investment, with a fair value of \$1,190.

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 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. DEPOSITS AND INVESTMENTS (continued)

Investments: (continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,201,831	\$36,464
Cash On Hand	(300)	
Cash with Fiscal Agent	(1,347)	
Investments:		
Certificate of Deposit	35,274	(35,274)
STAR Ohio	(411,542)	411,542
DP & L Stock	(1,190)	1,190
GASB Statement 3	\$1,822,726	\$412,732

6. PROPERTY TAXES

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAXES (continued)

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

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

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$36,546,750	93%	\$41,750,840	94%
Public Utility	2,295,990	6	2,117,620	5
Tangible Personal Property	489,340	1	583,840	1
Total Assessed Value	\$39,332,080	100%	\$44,452,300	100%
Tax rate per \$1,000 of assessed valuation	\$38.36		\$37.80	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$43,538 in the General Fund and \$4,276 in the Bond Retirement Debt Service Fund.

7. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (scholarship reimbursements and student fees) accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Drivers' Education	\$450
Foundation Adjustment	50,923
Total General Fund	51,373
Enterprise Fund	
National School Lunch Program	3,103
Total Intergovernmental Receivables	\$54,476

9. FIXED ASSETS

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

Furniture and Equipment	\$27,169
Less Accumulated Depreciation	(17,754)
Net Fixed Assets	\$9,415

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance 6/30/99
Land and Improvements	\$203,933	\$0	\$0	\$203,933
Buildings and Improvements	852,982	328,360	4,776	1,176,566
Furniture, Fixtures and Equipment	852,249	98,476	0	950,725
Vehicles	316,612	0	0	316,612
Construction In Progress	0	1,185,797	0	1,185,797
Totals	\$2,225,776	\$1,612,633	\$4,776	\$3,833,633

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for general and fleet insurance and with Indiana Insurance for property insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,878,943
Inland Marine Coverage (\$100 deductible)	345,718
Boiler and Machinery (\$1,000 deductible)	13,878,943
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$200 deductible)	2,000,000
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 five years. There have been no significant reductions in insurance coverage from the last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). The intent of the GRP is 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 the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" 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 CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (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 school district rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$32,608, \$56,818, and \$50,932, respectively; 43 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$18,530 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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, 1999, 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. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$96,801, \$250,541, and \$227,099, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$18,621 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

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

12. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. POSTEMPLOYMENT 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 is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$129,067 for fiscal year 1999.

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

For SERS, coverage is made available to service retirees with ten or more 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$35,495.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 185 days for all personnel. Upon retirement, payment is made for 30.3 percent of total sick leave accumulation up to a maximum of 56 days.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. OTHER EMPLOYEE BENEFITS (continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life. Medical/surgical benefits are provided by Anthem Blue Cross\Blue Shield and Life Investors Insurance Company of America.

14. CAPITAL LEASES - LESSEE DISCLOSURE

In the past, the School District has entered into capitalized leases for band instruments and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of band instruments and equipment have been capitalized in the general fixed assets account group in the amount of \$5,533. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Debt Account Group. Principal payments in fiscal year 1999 totaled \$936 in the General Fund.

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

Fiscal Year Ending June 30,	GLTDAG
2000	\$1,446
2001	1,447
Total	2,893
Less: Amount Representing Interest	(539)
Present Value of Net Minimum Lease Payments	\$2,354

15. FUND OBLIGATION

As of June 30, 1999, the School District had an outstanding energy conservation loan payable. During fiscal year 1999, the School District paid \$30,000.

The change in the School District's fund obligation is as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Loan 1993 4.75%	\$97,144	\$0	\$30,000	\$67,144

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. FUND OBLIGATION (continued)

On August 2, 1993, Newton Local School District received \$217,144 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the Newton Local School District, under authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued for a seven year period with final maturity during fiscal year 2001. The loan will be repaid with tax revenue from the General Fund.

Principal and interest requirements to retire the energy conservation loan at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$30,000	\$3,189	\$33,189
2001	37,144	1,764	38,908
Total	<u>\$67,144</u>	<u>\$4,953</u>	<u>\$72,097</u>

16. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
School Improvement				
Bonds 1998 5.25%	\$2,150,000	\$0	\$60,000	\$2,090,000
Intergovernmental Payable	44,323	36,443	44,323	36,443
Capital Lease	3,290	0	936	2,354
Compensated Absences	233,309	28,728	0	262,037
Total General Long-Term Obligations	<u>\$2,430,922</u>	<u>\$65,171</u>	<u>\$105,259</u>	<u>\$2,390,834</u>

School Improvement Bonds - On February 15, 1998, the School District issued bonds in the amount of \$2,150,000. The bonds were issued for the purpose of an addition and improvements to the School District. The bonds were issued for a nineteen year period with final maturity during fiscal year 2017. The bonds will be paid from the Bond Retirement Debt Service 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. Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School Improvement Bonds at June 30, 1999, are as follows:

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2000	\$65,000	\$108,019	\$173,019
2001	70,000	104,475	174,475
2002	75,000	100,669	175,669
2003	80,000	96,600	176,600
2004	85,000	92,269	177,269
2005 - 2009	510,000	386,664	896,664
2010 - 2014	690,000	230,214	920,214
2015 - 2017	515,000	41,345	556,345
Total	<u>\$2,090,000</u>	<u>\$1,160,255</u>	<u>\$3,250,255</u>

The School District's overall legal debt margin was \$2,041,433, the energy conservation debt margin was \$332,927 with an unvoted debt margin of \$44,452 at June 30, 1999.

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newton Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$89,319	\$22,564	\$111,883
Depreciation Expense	1,641	0	1,641
Operating Loss	(48,223)	(1,140)	(49,363)
Donated Commodities	9,806	0	9,806
Federal and State Subsidies	21,212	0	21,212
Operating Transfers - In	10,406	1,140	11,546
Net Loss	(6,799)	0	(6,799)
Fixed Asset Additions	\$2,725	\$0	\$2,725
Net Working Capital	870	0	870
Long-Term Intergovernmental Payable	12,071	0	12,071
Long-Term Compensated Absences	7,473	0	7,473
Total Assets	15,450	0	15,450
Total Equity (Deficit)	(9,259)	0	(9,259)
Encumbrances Outstanding at June 30, 1999	222	0	222

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$8,579 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, the Newton Local School District paid \$9,039 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (continued)

A. Jointly Governed Organizations (continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$949 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. 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), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

19. CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
H.A. Dorsten, Inc.	Building Improvement/Addition	\$1,014,929
Terill Communications, Inc.	Building Improvement/Addition	7,533
Black Electric Company	Building Improvement/Addition	114,732
G.M. Mechanical, Inc.	Building Improvement/Addition	58,146
Industrial Electronic Service	Score Boards	25,918

20. YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations.

The District has assessed, remediated, validated and tested (as deemed necessary) computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting District operations. The District identified such systems as being financial reporting, payroll and employee benefits and educational statistics reporting (through interfaces with the State's Education Management and Information System (EMIS)).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

20. YEAR 2000 COMPLIANCE (continued)

The District uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

Darke and Miami counties collect property taxes for distribution to the District. Darke and Miami counties are responsible for remediating their tax collection systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 27, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet unknown.

21. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,737,531 of school foundation support for its General Fund.

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

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

22. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

23. 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 of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$12,122	\$12,122
Current Year Set-aside Requirement	53,902	53,902	26,951	134,755
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(56,755)	(83,137)	0	(139,892)
Total	<u>(\$2,853)</u>	<u>(\$29,235)</u>	<u>\$39,073</u>	<u>\$6,985</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$39,073</u>	<u>\$39,073</u>

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

24. INTERFUND ACTIVITY

As of June 30, 1999, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$11,258, while the Emergency Repair Grant Capital Projects Fund had an interfund payable of \$11,258.

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$881,971	\$44,102	\$117,950	\$2,423,326
Cash and Cash Equivalents with Fiscal Agent	0	357	0	0
Investments	0	0	0	0
Receivables:				
Property and Other Taxes	741,478	0	92,696	0
Income Taxes	199,591	0	0	0
Accounts	850	1,138	0	0
Intergovernmental	2,047	0	0	0
Accrued Interest	1,584	0	0	0
Prepaid Items	6,901	0	0	0
Inventory of Supplies and Materials	9,737	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	11,737	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 Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	\$1,855,896	\$45,597	\$210,646	\$2,423,326
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$4,712	\$655	\$0	\$0
Accrued Wages and Benefits Payable	250,616	6,692	0	0
Intergovernmental Payable	59,382	130	0	0
Due To Students	0	0	0	0
Deferred Revenue	709,417	0	88,526	0
Compensated Absences Payable	15,361	0	0	0
Accrued Interest Payable	4,230	0	0	0
Energy Conservation Loan Payable	97,144	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,140,862	7,477	88,526	0
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,354	1,235	0	4,800
Reserved for Inventory	9,737	0	0	0
Reserved for Property Taxes	32,911	0	4,170	0
Reserved for Budget Stabilization	11,737	0	0	0
Unreserved, Undesignated	659,295	36,885	117,950	2,418,526
Total Fund Equity (Deficit) and Other Credits	715,034	38,120	122,120	2,423,326
Total Liabilities, Fund Equity and Other Credits	\$1,855,896	\$45,597	\$210,646	\$2,423,326

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$6,572	\$35,849	\$0	\$0	\$3,509,770
0	0	0	0	357
0	32,860	0	0	32,860
0	0	0	0	834,174
0	0	0	0	199,591
0	12,070	0	0	14,058
3,478	0	0	0	5,525
0	152	0	0	1,736
0	0	0	0	6,901
48	0	0	0	9,785
6,357	0	0	0	6,357
0	0	0	0	11,737
8,331	0	2,225,776	0	2,234,107
0	0	0	122,120	122,120
0	0	0	2,308,802	2,308,802
<u>\$24,786</u>	<u>\$80,931</u>	<u>\$2,225,776</u>	<u>\$2,430,922</u>	<u>\$9,297,880</u>
\$0	\$0	\$0	\$0	\$5,367
4,524	0	0	0	261,832
8,190	0	0	44,323	112,025
0	26,427	0	0	26,427
4,790	11,070	0	0	813,803
9,741	0	0	233,309	258,411
0	0	0	0	4,230
0	0	0	0	97,144
0	0	0	3,290	3,290
0	0	0	2,150,000	2,150,000
<u>27,245</u>	<u>37,497</u>	<u>0</u>	<u>2,430,922</u>	<u>3,732,529</u>
0	0	2,225,776	0	2,225,776
(2,459)	0	0	0	(2,459)
0	0	0	0	7,389
0	0	0	0	9,737
0	0	0	0	37,081
0	0	0	0	11,737
0	43,434	0	0	3,276,090
<u>(2,459)</u>	<u>43,434</u>	<u>2,225,776</u>	<u>0</u>	<u>5,565,351</u>
<u>\$24,786</u>	<u>\$80,931</u>	<u>\$2,225,776</u>	<u>\$2,430,922</u>	<u>\$9,297,880</u>

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

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property and Other Taxes	\$754,041	\$0	\$51,574	\$0	\$0	\$805,615
Income Taxes	489,403	0	0	0	0	489,403
Tuition and Fees	11,055	0	0	0	0	11,055
Interest	68,987	0	2,524	45,711	2,756	119,978
Intergovernmental	1,813,177	92,817	5,715	69,967	0	1,981,676
Extracurricular Activities	0	80,088	0	0	0	80,088
Miscellaneous	1,731	3,315	16,414	0	1,886	23,346
Total Revenues	<u>3,138,394</u>	<u>176,220</u>	<u>76,227</u>	<u>115,678</u>	<u>4,642</u>	<u>3,511,161</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,566,465	13,278	0	147,796	0	1,727,539
Special	187,684	57,821	0	0	0	245,505
Vocational	52,128	0	0	0	0	52,128
Support Services:						
Pupils	76,323	10,677	0	12,374	0	99,374
Instructional Staff	151,159	9,735	0	0	0	160,894
Board of Education	3,666	0	0	0	0	3,666
Administration	325,877	32,013	0	0	0	357,890
Fiscal	111,493	0	872	0	0	112,365
Business	2,130	0	0	0	0	2,130
Operation and Maintenance of Plant	278,610	0	0	0	0	278,610
Pupil Transportation	149,667	0	0	0	0	149,667
Central	0	3,991	0	0	0	3,991
Extracurricular Activities	78,116	50,812	0	0	0	128,928
Capital Outlay	0	0	0	30,442	0	30,442
Debt Service:						
Principal Retirement	813	0	0	0	0	813
Interest and Fiscal Charges	5,350	0	33,235	0	0	38,585
Total Expenditures	<u>2,989,481</u>	<u>178,327</u>	<u>34,107</u>	<u>190,612</u>	<u>0</u>	<u>3,392,527</u>
Excess of Revenues Over (Under) Expenditures	<u>148,913</u>	<u>(2,107)</u>	<u>42,120</u>	<u>(74,934)</u>	<u>4,642</u>	<u>118,634</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	450	0	0	0	0	450
Proceeds from Sale of Bonds	0	0	0	2,150,000	0	2,150,000
Operating Transfers - In	0	0	80,000	250,000	0	330,000
Operating Transfers - Out	(180,159)	0	0	(150,000)	0	(330,159)
Total Other Financing Sources (Uses)	<u>(179,709)</u>	<u>0</u>	<u>80,000</u>	<u>2,250,000</u>	<u>0</u>	<u>2,150,291</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(30,796)</u>	<u>(2,107)</u>	<u>122,120</u>	<u>2,175,066</u>	<u>4,642</u>	<u>2,268,925</u>
Fund Balances at Beginning of Year	745,169	40,227	0	248,260	38,792	1,072,448
Increase in Reserve for Inventory	661	0	0	0	0	661
Fund Balances at End of Year	<u>\$715,034</u>	<u>\$38,120</u>	<u>\$122,120</u>	<u>\$2,423,326</u>	<u>\$43,434</u>	<u>\$3,342,034</u>

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

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$721,710	\$743,130	\$21,420	\$0	\$0	\$0
Income Taxes	427,000	466,164	39,164	0	0	0
Tuition and Fees	9,000	11,055	2,055	0	0	0
Interest	75,000	68,807	(6,193)	0	0	0
Intergovernmental	1,776,175	1,811,930	35,755	75,574	87,998	12,424
Extracurricular Activities	0	0	0	54,495	80,140	25,645
Miscellaneous	2,000	1,731	(269)	500	2,669	2,169
Total Revenues	<u>3,010,885</u>	<u>3,102,817</u>	<u>91,932</u>	<u>130,569</u>	<u>170,807</u>	<u>40,238</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,562,029	1,562,029	0	10,937	10,937	0
Special	184,684	184,684	0	57,925	57,925	0
Vocational	52,070	52,070	0	0	0	0
Support Services:						
Pupils	88,633	88,633	0	10,677	10,677	0
Instructional Staff	153,562	153,562	0	2,593	2,593	0
Board of Education	4,216	4,216	0	0	0	0
Administration	317,765	317,765	0	32,310	32,310	0
Fiscal	111,462	111,462	0	0	0	0
Business	2,130	2,130	0	0	0	0
Operation and Maintenance of Plant	278,035	278,035	0	0	0	0
Pupil Transportation	147,809	147,809	0	0	0	0
Central	0	0	0	3,991	3,991	0
Operation of Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	80,010	80,010	0	50,687	50,687	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	30,000	30,000	0	0	0	0
Interest and Fiscal Charges	6,039	6,039	0	0	0	0
Total Expenditures	<u>3,018,444</u>	<u>3,018,444</u>	<u>0</u>	<u>169,120</u>	<u>169,120</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditure	(7,559)	84,373	91,932	(38,551)	1,687	40,238
Other Financing Sources (Uses):						
Other Financing Sources	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Advances - In	5,415	5,415	0	0	0	0
Advances - Out	0	0	0	(5,415)	(5,415)	0
Operating Transfers - In	0	0	0	0	0	0
Operating Transfers - Out	(180,159)	(180,159)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(174,744)</u>	<u>(174,744)</u>	<u>0</u>	<u>(5,415)</u>	<u>(5,415)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(182,303)	(90,371)	91,932	(43,966)	(3,728)	40,238
Fund Balances at Beginning of Year	893,222	893,222	0	41,650	41,650	0
Prior Year Encumbrances Appropriated	74,571	74,571	0	4,565	4,565	0
Fund Balances at End of Year	<u>\$785,490</u>	<u>\$877,422</u>	<u>\$91,932</u>	<u>\$2,249</u>	<u>\$42,487</u>	<u>\$40,238</u>

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$47,404	\$47,404	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	2,524	2,524	7,000	45,712	38,712	4,025	4,031	6
0	5,716	5,716	0	69,966	69,966	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	55,644	55,644	7,000	115,678	108,678	4,025	4,031	6
0	0	0	147,795	147,795	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	12,374	12,374	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
872	872	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,200	2,200	0
0	0	0	0	0	0	0	0	0
0	0	0	35,242	35,242	0	0	0	0
0	0	0	0	0	0	0	0	0
33,235	33,235	0	0	0	0	0	0	0
34,107	34,107	0	195,411	195,411	0	2,200	2,200	0
(34,107)	21,537	55,644	(188,411)	(79,733)	108,678	1,825	1,831	6
0	16,413	16,413	0	0	0	0	0	0
0	0	0	0	2,150,000	2,150,000	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,400	4,525	2,125
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	80,000	80,000	0	250,000	250,000	0	0	0
0	0	0	(150,000)	(150,000)	0	0	0	0
0	96,413	96,413	(150,000)	2,250,000	2,400,000	2,400	4,525	2,125
(34,107)	117,950	152,057	(338,411)	2,170,267	2,508,678	4,225	6,356	2,131
0	0	0	248,260	248,260	0	36,033	36,033	0
0	0	0	0	0	0	0	0	0
(\$34,107)	\$117,950	\$152,057	(\$90,151)	\$2,418,527	\$2,508,678	\$40,258	\$42,389	\$2,131

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

Operating Revenues:	
Sales	\$82,415
Operating Expenses:	
Salaries and Wages	41,557
Fringe Benefits	16,249
Purchased Services	1,381
Supplies and Materials	5,006
Cost of Sales	69,328
Depreciation	1,431
Other Operating Expenses	1,234
Total Operating Expenses	<u>136,186</u>
Operating Loss	<u>(53,771)</u>
Non-Operating Revenues:	
Federal Donated Commodities	7,410
Federal and State Subsidies	<u>29,560</u>
Total Non-Operating Revenues	<u>36,970</u>
Loss Before Operating Transfers	(16,801)
Operating Transfers - In	<u>159</u>
Net Loss	(16,642)
Retained Earnings at Beginning of Year	<u>14,183</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$2,459)</u></u>

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$83,700	\$82,823	(\$877)
Federal and State Subsidies	32,200	30,003	(2,197)
Total Revenues	115,900	112,826	(3,074)
Expenses:			
Salaries and Wages	40,563	40,563	0
Fringe Benefits	15,183	15,183	0
Purchased Services	1,381	1,381	0
Supplies and Materials	64,634	64,634	0
Other	1,234	1,234	0
Capital Outlay	6,093	6,093	0
Total Expenses	129,088	129,088	0
Excess of Revenues Under Expenses Before Operating Transfers	(13,188)	(16,262)	(3,074)
Operating Transfers - In	0	159	159
Excess of Revenues Under Expenses and Operating Transfers	(13,188)	(16,103)	(2,915)
Fund Equity at Beginning of Year	15,459	15,459	0
Prior Year Encumbrances Appropriated	5,768	5,768	0
Fund Equity at End of Year	\$8,039	\$5,124	(\$2,915)

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

**STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$82,823
Cash Payments for Employee Services and Benefits	(55,746)
Cash Payments to Suppliers for Goods and Services	(67,940)
Other Operating Expenses	(1,234)
Net Cash Used In Operating Activities	<u>(42,097)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	30,003
Operating Transfers - In	159
Net Cash Provided By Noncapital Financing Activities	<u>30,162</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	<u>(2,720)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(2,720)</u>

Net Decrease in Cash and Cash Equivalents	(14,655)
Cash and Cash Equivalents Beginning of Year	<u>21,227</u>
Cash and Cash Equivalents End of Year	<u><u>\$6,572</u></u>

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Loss	(\$53,771)
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Adjustments to Reconcile Operating Loss to Net Cash Used

In Operating Activities:

Depreciation	1,431
Donated Commodities Received	7,410
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	408
Decrease in Supplies Inventory	325
Decrease in Inventory Held for Resale	41
Increase in Accrued Wages and Benefits Payable	112
Increase in Intergovernmental Payable	1,062
Increase in Compensated Absences Payable	885
Net Cash Used In Operating Activities	<u><u>(\$42,097)</u></u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Newton Local 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 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. The School District is the 584th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 24 non-certificated employees, 43 certificated full-time teaching personnel and 3 administrative employees who provide services to 635 students and other community members. The School District currently operates 1 instructional-administrative building and 1 bus garage.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Newton 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 following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

Village of Pleasant Hill - The village government of Pleasant Hill is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

The School District is associated with four jointly governed organizations and one public entity risk pool. These organizations are presented in Note 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Cooperative
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Newton 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.

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.

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 trust funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. 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 - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or 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).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting (continued)

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the School District's proprietary fund type:

Enterprise Funds - 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.

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 expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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 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. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, 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, taxpayer-assessed income taxes, interest, 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, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period when 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 Data

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 Teacher Development, Eisenhower Grant and Preschool Grant Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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 Miami County Budget Commission for rate determination.

Estimated Resources:

By 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 1998.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

Before closing out at year end, the School District passed appropriations to match expenditures plus encumbrances.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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.

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, 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.

During fiscal year 1998, investments were limited to STAR Ohio, a certificate of deposit, and Dayton Power and Light stock.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 1998. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

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 1998 amounted to \$68,987 which includes \$28,773 assigned from other School District funds. The Debt Service, Capital Projects, and Expendable Trust Funds also earned interest in the amounts of \$2,524, \$45,711, and \$2,756, respectively.

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

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 are reported as investments.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 1998, 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 is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 1998, the School District received a \$11,737 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. A fund balance reserve has also been established.

H. Estimates

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

I. 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 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.

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 ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development
- Education Management Information Systems
- Eisenhower Grant
- Public School Preschool
- Title I
- Title III
- Title VI
- Title VI-B
- Professional Development Block Grant
- Instructional Materials Subsidy
- Preschool Grant

Capital Projects Funds

- SchoolNet Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 56 percent of governmental fund operating revenue during the 1998 fiscal year.

K. Compensated Absences

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences (continued)

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

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

L. 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 and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources.

Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term debt account group until due.

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

M. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization reserve for the workers' compensation refund. 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 State Statute and may only be used with the approval of the Ohio Department of Education.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY

For fiscal year 1998, the School District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now required to be reported at fair value. The adoption of this statement required no change from prior years.

4. ACCOUNTABILITY

At June 30, 1998, the Title I Special Revenue Fund and the Permanent Improvement Capital Projects Funds had deficit fund balances of \$6,757 and \$2,491, respectively. The Food Service Enterprise Fund had deficit retained earnings of \$2,459. The deficit balance in the Special Revenue Fund and Capital Projects Fund 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. The deficit in the Food Service Enterprise Fund is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

5. 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 Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Enterprise Funds 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. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Newton Local School District are included in the Special Revenue Funds for GAAP reporting purposes.
5. 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).
6. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

5. BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$30,796)	(\$2,107)	\$122,120	\$2,175,066	\$4,642
Revenue Accruals	(36,027)	(372)	(4,170)	0	3,914
Expenditure Accruals	2,066	162	0	0	(2,200)
Prepays	3,070	0	0	0	0
Principal Payments	(30,000)	0	0	0	0
Advances	5,415	(5,415)	0	0	0
Excess of Revenues (Under) Expenditures for Nonbudgeted Funds	0	5,619	0	0	0
Encumbrances	(4,099)	(1,615)	0	(4,799)	0
Budget Basis	<u>(\$90,371)</u>	<u>(\$3,728)</u>	<u>\$117,950</u>	<u>\$2,170,267</u>	<u>\$6,356</u>

**Net Loss/Excess of Revenues Under Expenses
All Enterprise Funds**

GAAP Basis	(\$16,642)
Revenue Accruals	851
Expense Accruals	2,791
Inventory of Supplies and Materials	(41)
Inventory Held for Resale	(325)
Acquisition of Capital Assets	(2,720)
Depreciation Expense	1,431
Encumbrances	<u>(1,448)</u>
Budget Basis	<u>(\$16,103)</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

6. 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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) of this section 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, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

6. DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$357 shown in the Special Revenue Funds is maintained with the Miami County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from its annual report.

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 \$2,771,959 and the bank balance was \$2,835,376. Of the bank balance:

1. \$131,670 was covered by federal depository insurance; and
2. \$2,703,706 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

The only School District investments at year-end were STAR Ohio and Dayton Power and Light stock. STAR Ohio is an unclassified investment, with a fair value of \$780,918. The stock is a Category 1 investment, with a fair value of \$1,190.

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 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

6. DEPOSITS AND INVESTMENTS (continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$3,523,054	\$32,860
Cash on Hand	(300)	0
Cash in Segregated Accounts	(357)	0
Investments:		
Certificate of Deposit	31,670	(31,670)
STAR Ohio	(780,918)	780,918
DP & L Stock	(\$1,190)	\$1,190
GASB Statement 3	\$2,771,959	\$782,108

7. PROPERTY TAXES

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

The assessed values upon which fiscal year 1998 taxes were collected are:

	1997 Second- Half Collections		1998 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$35,825,490	93%	\$36,546,750	93%
Public Utility	2,198,140	6	2,295,990	6
Tangible Personal Property	467,810	1	489,340	1
Total Assessed Value	\$38,491,440	100%	\$39,332,080	100%
Tax rate per \$1,000 of assessed valuation	\$35.80		\$38.36	

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

7. PROPERTY TAXES

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

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

The School District receives property taxes from Miami and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1998, are available to finance fiscal year 1998 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, 1998. 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, 1998, was \$32,911 in the General Fund and \$4,170 in the Debt Service Fund.

8. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

9. RECEIVABLES

Receivables at June 30, 1998, consisted of both property and income taxes, accounts (scholarship reimbursements and student fees) accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Drivers' Education	\$650
Foundation Adjustment	1,397
Total General Fund	2,047
Enterprise Fund	
National School Lunch Program	3,478
Total Intergovernmental Receivables	\$5,525

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1998, follows:

Furniture and Equipment	\$24,444
Less Accumulated Depreciation	<u>(16,113)</u>
Net Fixed Assets	<u><u>\$8,331</u></u>

A summary of the changes in general fixed assets during fiscal year 1998 follows

<u>Asset Category</u>	<u>Balance at 6/30/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/98</u>
Land and Improvements	\$203,933	\$0	\$0	\$203,933
Buildings and Improvements	793,916	59,066	0	852,982
Furniture, Fixtures and Equipment	677,224	201,678	26,653	852,249
Vehicles	<u>349,544</u>	<u>13,819</u>	<u>46,751</u>	<u>316,612</u>
Totals	<u><u>\$2,024,617</u></u>	<u><u>\$274,563</u></u>	<u><u>\$73,404</u></u>	<u><u>\$2,225,776</u></u>

There was no significant construction in progress at June 30, 1998.

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the School District contracted with Nationwide Insurance for general, property and fleet insurance. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$10,748,507
Inland Marine Coverage (\$100 deductible)	245,718
Boiler and Machinery (\$1,000 deductible)	10,748,507
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$200 deductible)	2,000,000
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 five years. There have been no significant reductions in insurance coverage from the last year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

11. RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 1998, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is 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 the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" 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 School District applies for participation each year. The firm of Anthem Compensation Services, provides administrative, cost control, and actuarial services to the GRP.

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

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. For fiscal year 1998, 9.02 percent was the portion used fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$56,818, \$50,932 and \$43,463, respectively; 72 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$22,625 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

12. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$250,541, \$227,099 and \$216,103, respectively; 86 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$39,752 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

C. Social Security System

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

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board allocated employer contribution equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$59,595 during 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 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.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

13. POSTEMPLOYMENT BENEFITS (continued)

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997 were \$97,429,197 and the target level was \$121.8 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$38,183 during the 1998 fiscal year.

14. 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 225 days for all personnel. Upon retirement, payment is made for one-fourth of the first 216 days of total sick leave accumulation up to a maximum of 54 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life. Medical/surgical benefits are provided by EPC Benefits Plan Trust.

15. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for band instruments and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "capital outlay" and "inception of capital lease" in the fund making the lease payment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of band instruments and equipment have been capitalized in the general fixed assets account group in the amount of \$5,533. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 1998 totaled \$813 in the governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

15. CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1998.

Fiscal Year Ending June 30,	GLTDAG
1999	\$1,438
2000	1,438
2001	1,439
Total	4,315
Less: Amount Representing Interest	(1,025)
Present Value of Net Minimum Lease Payments	\$3,290

16. FUND OBLIGATION

As of June 30, 1998, the School District had an outstanding energy conservation loan payable. During fiscal year 1998, the School District paid \$30,000.

The change in the School District's fund obligation is as follows:

	Principal Outstanding 6/30/97	Additions	Deductions	Principal Outstanding 6/30/98
Energy Conservation Loan 1993 4.75%	\$127,144	\$0	\$30,000	\$97,144

On August 2, 1993, Newton Local School District received \$217,144 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the Newton Local School District, under authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued for a seven year period with final maturity during fiscal year 2001. The loan will be repaid with tax revenue from the General Fund.

Principal and interest requirements to retire the energy conservation loan at June 30, 1998, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
1999	\$30,000	\$4,614	\$34,614
2000	30,000	3,189	33,189
2001	37,144	1,764	38,908
Total	\$97,144	\$9,567	\$106,711

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

17. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

	<u>Principal Outstanding 6/30/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/98</u>
School Improvement Bonds 1998 5.25%	\$0	\$2,150,000	0	\$2,150,000
Intergovernmental Payable	24,526	44,323	24,526	44,323
Capital Lease	4,103	0	813	3,290
Compensated Absences	191,205	42,104	0	233,309
Total General Long-Term Obligations	<u>\$219,834</u>	<u>\$2,236,427</u>	<u>\$25,339</u>	<u>\$2,430,922</u>

School Improvement Bonds - On February 15, 1998, the School District issued bonds in the amount of \$2,150,000. The bonds were issued for the purpose of an addition and improvements to the School District. The bonds were issued for a nineteen year period with final maturity during fiscal year 2017. The bonds will be paid from the Permanent Improvement Fund, the fund which received the proceeds.

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. Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the General Fund.

Principal and interest requirements to retire the School Improvement Bonds at June 30, 1998, are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$60,000	\$111,301	\$171,301
2000	65,000	108,019	173,019
2001	70,000	104,475	174,475
2002	75,000	100,669	175,669
2003	80,000	96,600	176,600
2004 - 2008	480,000	412,650	892,650
2009 - 2013	650,000	265,384	915,384
2014 - 2017	670,000	72,452	742,452
Total	<u>\$2,150,000</u>	<u>\$1,271,550</u>	<u>\$3,421,550</u>

The School District's overall legal debt margin was \$1,512,006, the energy conservation debt margin was \$256,845 with an unvoted debt margin of \$39,332 at June 30, 1998.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newton Local School District as of and for the fiscal year ended June 30, 1998.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$58,415	\$24,000	\$82,415
Operating Expenses less Depreciation	110,015	24,740	134,755
Depreciation Expense	1,431	0	1,431
Operating Loss	(53,031)	(740)	(53,771)
Donated Commodities	7,410	0	7,410
Federal and State Subsidies	\$29,560	\$0	\$29,560
Operating Transfers - In	\$0	\$159	\$159
Net Loss	(16,061)	(581)	(16,642)
Fixed Asset Additions	2,720	0	2,720
Net Working Capital	7,441	0	5,820
Long-Term Intergovernmental Payable	8,190	0	6,869
Long-Term Compensated Absences	9,741	0	9,741
Total Assets	24,786	0	24,786
Total Equity (Deficit)	(2,459)	0	(2,459)
Encumbrances Outstanding at June 30, 1998	\$1,448	\$0	\$1,448

19. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL

A. Jointly Governed Organizations

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

19 JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL (continued)

A. Jointly Governed Organizations (continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$10,803 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1998, the Newton Local School District did not pay any money to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1998, the School District paid \$4,590 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

19. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL (continued)

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

20. YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal year 1999.

The Newton Local School District has completed an inventory of computer systems and other equipment necessary to conducting the School District operations. The School District uses Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS) accounting services. These services are provided by the Metropolitan Dayton Educational Cooperative Association (MDECA - see Note 19) OECN has undergone the task of making the aforementioned software packages year 2000 compliant according to the following schedule:

Software Program	Version	Available
Payroll	USPS V4.0	September, 1997
Budgetary	USAS V6.1	June, 1998
Fixed Asset Inventory	SAAS V2.0	December, 1998
EMIS	EMIS V1.7	September, 1998

The State is responsible for remediating this system and no costs will be imposed to the District as a result of the program modifications.

Darke and Miami counties collect property taxes for distribution to the District. Darke and Miami counties are responsible for remediating their tax collection systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

21. SCHOOL FUNDING COURT DECISION - SUBSEQUENT EVENTS

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in 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, 1998, the School District received \$1,572,23018 of school foundation support for its General Fund.

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

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

22. CONTINGENCIES

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, 1998.

23. OHIO COMPLIANCE

For the fiscal year ended June 30, 1998, the District had material non-compliance for Ohio Rev. Code Section 5705.41(B) for expenditures plus encumbrances exceeding appropriations, and Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Newton Local School District
Miami County
201 N. Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the financial statements of Newton Local School District, Miami County (the District) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated January 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10355-001 and 1999-10355-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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 the District in a separate letter dated January 27, 2000.

Newton Local School District
Miami County
Report of Independent Accountants on Compliance and
Internal Control Required by *Governmental Auditing Standards*

This report is intended for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 27, 2000

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-10355-001
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Ohio Rev. Code Section 5705.41 (B), prohibits a political subdivision from expending funds until they have been appropriated.

The failure to limit expenditures to the amounts appropriated could result in the School District spending in excess of the available resources.

Examination of the expenditures and appropriations for May of fiscal year 1998 indicated that the District had certain expenditures plus current year encumbrances that significantly exceeded the prior year encumbrances plus appropriations at the fund, function, and object level, which is the legal level of control adopted by the Board of Education. The following funds had expenditures at the function and object level that exceeded the amounts appropriated on May 30, 1998:

Fund	Variance
General Fund	\$307,096
Permanent Improvement Fund	173,334
Building - Capital Project Fund	20,475
Food Service Fund	15,723
Uniform School Supplies Fund	5,971
School Support Fund	1,876
Student Managed Activity Fund	14,316
District Managed Activity Fund	26,852
Local Professional Development Fund	2,593
EMIS Fund	2,564
SchoolNet Plus Fund	64,917
Technology Equity Fund	4,900
Textbooks & Instructional Fund	8,005
Title VI-B Fund	39,100
Title VI Fund	<u>1,999</u>
Total All Funds	<u>\$689,721</u>

Other immaterial variance were noted at 9/30/98 during the fiscal year ended June 30, 1999.

The School District should implement procedures for the review of appropriation versus expenditures through out the fiscal year at the legal level of control to insure compliance with this requirement.

SCHEDULE OF FINDINGS
JUNE 30, 1999
(Continued)

Finding Number	1999-10355-002
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Ohio Rev. Code Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated resources. No Appropriation measure is to become effective until the County auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The School District had several funds where the appropriations exceeded the estimated resources during the years ended June 30, 1999 and 1998. This situation could result in expenditures exceeding the revenue available.

The following funds had appropriations which exceeded total estimated resources as of June 30:

1999	Amount
District Managed Activity Funds	\$16,791
SchoolNet Plus Fund	179
Emergency Repairs Fund	351,812
Food Service Fund	17,574
Uniform School Supplies Fund	1,005

1998	Amount
District Managed Activity Funds	\$7,342
Local Professional Development Fund	2,593
Instructional Material Subsidy Fund	8,381
Building Fund	25,275
Debt Service Fund	34,107
SchoolNet Plus Fund	64,816
SchoolNet Fund	4,900
Uniform School Supplies Fund	566

The School District amended their Certificate of Estimated Resources after fiscal year end for 1998, and subsequently received a certificate from the County auditor that the total appropriations from each fund did not exceed the total official estimate or amended official estimate. However, since the amendment occurred after year end it was not valid during the period.

The School District should implement procedures to monitor that appropriations do not exceed the amounts certified as available for expenditure.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

NEWTON LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 29, 2000**