



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

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

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

December 29, 1999

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

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS					
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$448,053	\$277,373	\$116,047	\$74,385	\$104,963
Cash and Cash Equivalents: In Segregated Accounts With Fiscal Agents		4,000	11,763		
Investments					
Receivables:					
Property and Other Taxes Accounts	8,965,299		470,179		
Intergovernmental	1,793	2,755			13,707
Prepaid Items	124,586				
Inventory Held for Resale	11,431				24,784
Inventory of Supplies and Materials	53,178				8,171
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	288,598				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					36,131
Other Debits:					
Amount in Debt Service Fund for Retirement of General Long-Term Obligations					
Amount to be Provided for Retirement of General Long-Term Obligations					
Total Assets and Other Debits	\$9,892,938	\$284,128	\$597,989	\$74,385	\$187,756
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	\$34,611	\$3,108		\$2,101	
Accrued Wages and Benefits Payable	1,571,207	26,020			54,819
Compensated Absences Payable	32,429				26,125
Intergovernmental Payable	337,591	698			50,490
Deferred Revenue	7,754,737		419,563		10,049
Due to Students					
Matured Bonds Payable			10,000		
Matured Interest Payable			1,763		
Accrued Interest Payable	83				
Early Retirement Incentive Payable					
Energy Conservation Loan Payable	25,000				
General Obligation Bonds Payable					
Total Liabilities	9,755,658	29,826	431,326	2,101	141,483
Fund Equity and Other Credits:					
Investment in General Fixed Assets					
Retained Earnings:					
Unreserved					46,273
Fund Balance:					
Reserved for Encumbrances	106,206	38,327		46,641	
Reserved for Inventory of Supplies and Materi.	53,178				
Reserved for Property Taxes	1,230,806		50,616		
Reserved for Endowments					
Reserved for Budget Stabilization	201,362				
Reserved for Bus Purchase	87,236				
Unreserved, Undesignated (Deficit)	(1,541,508)	215,975	116,047	25,643	
Total Fund Equity and Other Credits	137,280	254,302	166,663	72,284	46,273
Total Liabilities, Fund Equity and Other Credits	\$9,892,938	\$284,128	\$597,989	\$74,385	\$187,756

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$74,742			\$1,095,563
			4,000
			11,763
10,000			10,000
			9,435,478
			4,548
			138,293
			11,431
			24,784
			61,349
			288,598
	15,986,885		16,023,016
		166,663	166,663
		6,749,663	6,749,663
\$84,742	\$15,986,885	\$6,916,326	\$34,025,149
			\$39,820
			1,652,046
		1,317,384	1,375,938
		153,942	542,721
			8,184,349
74,740			74,740
			10,000
			1,763
			83
		300,000	300,000
			25,000
		5,145,000	5,145,000
<u>74,740</u>		<u>6,916,326</u>	<u>17,351,460</u>
	15,986,885		15,986,885
			46,273
480			191,654
			53,178
			1,281,422
10,000			10,000
			201,362
			87,236
(478)			(1,184,321)
<u>10,002</u>	<u>15,986,885</u>		<u>16,673,689</u>
\$84,742	\$15,986,885	\$6,916,326	\$34,025,149

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

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property and Other Taxes	\$8,860,350		\$487,623		\$9,347,973
Tuition and Fees	226,416.00				226,416.00
Interest	60,350.00	3,038.00			63,388.00
Intergovernmental	8,683,790.00	457,203.00	50,681.00	49,084.00	9,240,758.00
Rent	400				400.00
Extracurricular Activities		190,819			190,819.00
Gifts and Donations	3,775	76,539			80,314.00
Miscellaneous	7,989	11,440			19,429
Total Revenues	<u>17,843,070</u>	<u>739,039</u>	<u>538,304</u>	<u>49,084</u>	<u>19,169,497</u>
Expenditures:					
Current:					
Instruction:					
Regular	8,274,399.00	122,881.00		397,519.00	8,794,799.00
Special	1,389,775.00	175,243.00			1,565,018.00
Vocational	477,787.00	37,163.00			514,950.00
Support Services:					
Pupils	874,138.00	6,323.00			880,461.00
Instructional Staff	759,124.00	24,131.00		110,557.00	893,812.00
Board of Education	45,169.00				45,169.00
Administration	1,540,285.00	21,332.00	11.00		1,561,628.00
Fiscal	440,242.00	3,751.00	7,925.00		451,918.00
Operation and Maintenance of Plant	1,787,001.00	9,140		17,950.00	1,814,091.00
Pupil Transportation	1,152,656.00	294			1,152,950.00
Operation of Non-Instructional Services	889	46,829.00			47,718.00
Extracurricular Activities	354,992	168,834.00			523,826.00
Capital Outlay	19,193.00				19,193.00
Debt Service:					
Principal Retirement			85,000.00		85,000.00
Interest and Fiscal Charges	2,283		292,098		294,381
Total Expenditures	<u>17,117,933</u>	<u>615,921</u>	<u>385,034</u>	<u>526,026</u>	<u>18,644,914</u>
Excess of Revenues Over (Under) Expenditures	725,137	123,118	153,270	(476,942)	524,583
Other Financing Sources:					
Proceeds from Sale of Fixed Assets		50			50
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	725,137.00	123,168.00	153,270.00	(476,942.00)	524,633.00
Fund Balances (Deficit) at Beginning of Year	(554,851.00)	131,134.00	13,393.00	549,226.00	138,902.00
Decrease in Reserve for Inventory	(33,006)				(33,006)
Fund Balances at End of Year	<u>\$137,280</u>	<u>\$254,302</u>	<u>\$166,663</u>	<u>\$72,284</u>	<u>\$630,529</u>

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

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

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$8,518,103	\$8,518,103	\$0	\$0	\$0	\$0
Tuition and Fees	232,864	232,864	0	0	0	0
Interest	60,380	60,380	0	3,038	3,038	0
Intergovernmental	8,589,485	8,589,485	0	457,203	457,203	0
Rent	400	400	0	0	0	0
Extracurricular Activities	0	0	0	188,649	188,649	0
Gifts and Donations	3,775	3,775	0	76,539	76,539	0
Miscellaneous	7,228	7,228	0	13,978	13,978	0
Total Revenues	<u>17,412,235</u>	<u>17,412,235</u>	<u>0</u>	<u>739,407</u>	<u>739,407</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	8,218,182	8,218,182	0	134,795	134,795	0
Special	1,389,303	1,389,303	0	174,770	174,770	0
Vocational	475,248	475,248	0	37,163	37,163	0
Other	72,251	72,251	0	0	0	0
Support Services:						
Pupils	892,581	892,581	0	6,323	6,323	0
Instructional Staff	750,092	750,092	0	26,549	26,549	0
Board of Education	61,480	61,480	0	0	0	0
Administration	1,530,788	1,530,788	0	23,242	23,242	0
Fiscal	434,892	434,892	0	3,751	3,751	0
Operation and Maintenance of Plant	1,810,184	1,810,184	0	9,140	9,140	0
Pupil Transportation	1,158,182	1,158,182	0	294	294	0
Operation of Non-Instructional Services	889	889	0	59,978	59,978	0
Extracurricular Activities	355,084	355,084	0	184,324	184,324	0
Capital Outlay	33,667	33,667	0	0	0	0
Debt Service:						
Principal Retirement	60,000	60,000	0	0	0	0
Interest and Fiscal Charges	2,400	2,400	0	0	0	0
Total Expenditures	<u>17,245,223</u>	<u>17,245,223</u>	<u>0</u>	<u>660,329</u>	<u>660,329</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>167,012</u>	<u>167,012</u>	<u>0</u>	<u>79,078</u>	<u>79,078</u>	<u>0</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Loan	25,000	25,000	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	50	50	0
Refund of Prior Year Expenditures	3,995	3,995	0	0	0	0
Advances In	3,652	3,652	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>32,647</u>	<u>32,647</u>	<u>0</u>	<u>50</u>	<u>50</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>199,659</u>	<u>199,659</u>	<u>0</u>	<u>79,128</u>	<u>79,128</u>	<u>0</u>
Fund Balances at Beginning of Year	295,444	295,444	0	135,136	135,136	0
Prior Year Encumbrances Appropriated	104,314	104,314	0	26,365	26,365	0
Fund Balances at End of Year	<u>\$599,417</u>	<u>\$599,417</u>	<u>\$0</u>	<u>\$240,629</u>	<u>\$240,629</u>	<u>\$0</u>

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

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$454,052	\$454,052	\$0	\$0	\$0	\$0	\$8,972,155	\$8,972,155	\$0
0	0	0	0	0	0	232,864	232,864	0
0	0	0	0	0	0	63,418	63,418	0
50,681	50,681	0	49,084	49,084	0	9,146,453	9,146,453	0
0	0	0	0	0	0	400	400	0
0	0	0	0	0	0	188,649	188,649	0
0	0	0	0	0	0	80,314	80,314	0
0	0	0	0	0	0	21,206	21,206	0
<u>504,733</u>	<u>504,733</u>	<u>0</u>	<u>49,084</u>	<u>49,084</u>	<u>0</u>	<u>18,705,459</u>	<u>18,705,459</u>	<u>0</u>
0	0	0	403,075	403,075	0	8,756,052	8,756,052	0
0	0	0	0	0	0	1,564,073	1,564,073	0
0	0	0	0	0	0	512,411	512,411	0
0	0	0	0	0	0	72,251	72,251	0
0	0	0	0	0	0	898,904	898,904	0
0	0	0	111,297	111,297	0	887,938	887,938	0
0	0	0	0	0	0	61,480	61,480	0
11	11	0	0	0	0	1,554,041	1,554,041	0
7,925	7,925	0	0	0	0	446,568	446,568	0
0	0	0	17,950	17,950	0	1,837,274	1,837,274	0
0	0	0	0	0	0	1,158,476	1,158,476	0
0	0	0	0	0	0	60,867	60,867	0
0	0	0	0	0	0	539,408	539,408	0
0	0	0	60,006	60,006	0	93,673	93,673	0
85,000	85,000	0	0	0	0	145,000	145,000	0
292,098	292,098	0	0	0	0	294,498	294,498	0
<u>385,034</u>	<u>385,034</u>	<u>0</u>	<u>592,328</u>	<u>592,328</u>	<u>0</u>	<u>18,882,914</u>	<u>18,882,914</u>	<u>0</u>
119,699	119,699	0	(543,244)	(543,244)	0	(177,455)	(177,455)	0
0	0	0	0	0	0	25,000	25,000	0
0	0	0	0	0	0	50	50	0
0	0	0	0	0	0	3,995	3,995	0
0	0	0	0	0	0	3,652	3,652	0
(3,652)	(3,652)	0	0	0	0	(3,652)	(3,652)	0
<u>(3,652)</u>	<u>(3,652)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,045</u>	<u>29,045</u>	<u>0</u>
116,047	116,047	0	(543,244)	(543,244)	0	(148,410)	(148,410)	0
0	0	0	311,923	311,923	0	742,503	742,503	0
0	0	0	256,964	256,964	0	387,643	387,643	0
<u>\$116,047</u>	<u>\$116,047</u>	<u>\$0</u>	<u>\$25,643</u>	<u>\$25,643</u>	<u>\$0</u>	<u>\$981,736</u>	<u>\$981,736</u>	<u>\$0</u>

**PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	<u>Total (Memorandum Only)</u>
Operating Revenues:			
Sales	\$675,198	\$0	\$675,198
Charges for Services	153,179	0	153,179
Interest	0	464	464
Other	8,400	0	8,400
Total Operating Revenues	<u>836,777</u>	<u>464</u>	<u>837,241</u>
Operating Expenses:			
Salaries and Wages	395,227	0	395,227
Fringe Benefits	98,683	0	98,683
Contractual Services	23,871	0	23,871
Materials and Supplies	49,718	0	49,718
Cost of Sales	433,631	0	433,631
Other	100	940	1,040
Depreciation	5,916	0	5,916
Total Operating Expenses	<u>1,007,146</u>	<u>940</u>	<u>1,008,086</u>
Operating Loss	<u>(170,369)</u>	<u>(476)</u>	<u>(170,845)</u>
Non-Operating Revenues:			
Donated Commodities	45,122	0	45,122
Federal and State Subsidies	75,723	0	75,723
Interest	2,724	0	2,724
Total Non-Operating Revenues	<u>123,569</u>	<u>0</u>	<u>123,569</u>
Net Loss	(46,800)	(476)	(47,276)
Retained Earnings/Fund Balance at Beginning of Year	<u>93,073</u>	<u>10,478</u>	<u>103,551</u>
Retained Earnings/Fund Balance at End of Year	<u>\$46,273</u>	<u>\$10,002</u>	<u>\$56,275</u>

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

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

	Enterprise Fund			Non-Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$661,491	\$661,491	\$0	\$0	\$0	\$0
Charges for Services	153,179	153,179	0	0	0	0
Federal and State Subsidies	75,723	75,723	0	0	0	0
Interest	2,724	2,724	0	464	464	0
Other	8,400	8,400	0	0	0	0
Total Revenues	901,517	901,517	0	464	464	0
Expenses:						
Salaries and Wages	396,316	396,316	0	0	0	0
Fringe Benefits	101,229	101,229	0	0	0	0
Contractual Services	23,086	23,086	0	0	0	0
Materials and Supplies	431,848	431,848	0	0	0	0
Capital Outlay	14,758	14,758	0	0	0	0
Other	100	100	0	940	940	0
Total Expenses	967,337	967,337	0	940	940	0
Excess of Revenues Under Expenses	(65,820)	(65,820)	0	(476)	(476)	0
Fund Equity at Beginning of Year	162,709	162,709	0	10,013	10,013	0
Prior Year Encumbrances Appropriated	6,026	6,026	0	465	465	0
Fund Equity at End of Year	\$102,915	\$102,915	\$0	\$10,002	\$10,002	\$0

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

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise Fund	Non- Expendable Trust Fund	
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$814,670	\$0	\$814,670
Other Operating Revenues	8,400	0	8,400
Cash Payments for Employee Services and Benefits	(497,545)	0	(497,545)
Cash Payments to Suppliers for Goods and Services	(465,190)	0	(465,190)
Other Operating Expenses	(100)	(940)	(1,040)
Net Cash Used in Operating Activities	(139,765)	(940)	(140,705)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies	75,723	0	75,723
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(2,454)	0	(2,454)
Cash Flows from Investing Activities:			
Interest	2,724	464	3,188
Net Decrease in Cash and Cash Equivalents	(63,772)	(476)	(64,248)
Cash and Cash Equivalents Beginning of Year	168,735	478	0
Cash and Cash Equivalents End of Year	<u>\$104,963</u>	<u>\$2</u>	<u>\$104,965</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating Loss	(\$170,369)	(\$476)	(\$170,845)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities			
Depreciation	5,916	0	5,916
Donated Commodities Received	45,122	0	45,122
Interest Received by Non-Expendable Trust Fund	0	(464)	(464)
Changes in Assets and Liabilities:			
Increase in Intergovernmental Receivable	(13,707)	0	(13,707)
Decrease in Prepaid Items	983	0	983
Increase in Supplies and Materials Inventory	(5,387)	0	(5,387)
Decrease in Inventory Held for Resale	1,312	0	1,312
Increase in Accrued Salaries Payable	2,668	0	2,668
Decrease in Compensated Absences Payable	(3,757)	0	(3,757)
Decrease in Intergovernmental Payable	(2,546)	0	(2,546)
Net Cash Used in Operating Activities	<u>(\$139,765)</u>	<u>(\$940)</u>	<u>(\$140,705)</u>
Reconciliation of Cash and Cash Equivalents in Non-expendable Trust Fund to Balance Sheet:			
Cash and Cash Equivalents - All Fiduciary Funds		\$74,742	
Cash and Cash Equivalents - All Agency Funds		(74,740)	
Cash and Cash Equivalents - Non-expendable Trust Fund		<u>\$2</u>	

The notes to the general-purpose 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

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

The School District was established in 1916 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 135 square miles. It is located in Clark County, and includes the Villages of South Vienna and Catawba, and the Townships of Moorefield, Pleasant, and Harmony. It is staffed by 154 non-certificated employees, 214 certificated full-time teaching personnel and 14 administrative employees who provide services to 3,446 students and other community members. The School District currently operates 7 buildings.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 Northeastern Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with the Miami Valley Educational Computer Association (MVECA), Springfield/Clark County Joint Vocational School, and the Southwestern Ohio Educational Purchasing Council (SOEPC) which are defined as jointly governed organizations, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northeastern Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type

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

Enterprise Funds

Enterprise funds are used to account for 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 non-expendable trust and agency funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary and non-expendable trust fund operating statements present increases (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 and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Property taxes measurable as of June 30, 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 and the non-expendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Tax Budget

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

2. Estimated Resources

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. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

3. Appropriations

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

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Prior to year end, the School District approved appropriations to match actual expenditures plus year end encumbrances. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control.

On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to certificates of deposits.

Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$60,350 which includes \$43,613 assigned from other School District funds. The special revenue funds, enterprise fund and non-expendable trust fund also received interest revenue of \$3,038, \$2,724 and \$464, respectively.

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

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool, are reported as investments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

E. 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/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

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

Capital Projects Funds

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

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- E-Rate

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 48 percent of the School District's governmental revenue during the 1999 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

M. Estimates

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

O. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 1999, the Title VI-B and the Title I Special Revenue Funds have deficit fund balances of \$6,142 and \$1,271, respectively, which were created by the application of generally accepted accounting principles. The deficits in these funds will be eliminated through transfers from the general fund, however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Non-Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$725,137	\$123,168	\$153,270	(\$476,942)
Revenue Accruals	(451,840)	368	(33,571)	0
Expenditure Accruals	96,563	(2,850)	0	(17,560)
Loan Principal Payments	(60,000)	0	0	0
Advances	3,652	0	(3,652)	0
Prepaid Items	(1,944)	(814)	0	0
Loan Proceeds	25,000	0	0	0
Encumbrances	(136,909)	(40,744)	0	(48,742)
Budget Basis	<u>\$199,659</u>	<u>\$79,128</u>	<u>\$116,047</u>	<u>(\$543,244)</u>

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type and Non-Expendable Trust Fund

	Enterprise	Non-Expendable Trust
GAAP Basis	(\$46,800)	(\$476)
Revenue Accrual	(13,707)	0
Expense Accrual	(14,727)	0
Capital Outlay	2,454	0
Inventory	5,387	0
Prepaid Items	(983)	0
Inventory Held for Resale	(1,312)	0
Depreciation Expense	5,916	0
Encumbrances	(2,048)	0
Budget Basis	(\$65,820)	(\$476)

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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment for all public monies deposited with the institution.

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

5. DEPOSITS AND INVESTMENTS (Continued)

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 in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand:

At fiscal year end, the School District had \$2,020 in undeposited cash in hand which is included on the balance sheet of the School District as part of "cash and cash equivalents in segregated accounts."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

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

5. DEPOSITS AND INVESTMENTS (Continued)

B. Deposits:

At year-end, the carrying amount of the School District's deposits was \$1,407,904 and the bank balance was \$1,786,945. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$1,686,945 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposits 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.

C. Investments

The School District did not have any investments at fiscal year end.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,399,924	\$10,000
Cash on Hand	(2,020)	0
Investments:		
Certificates of Deposits	10,000	(10,000)
GASB Statement 3	\$1,407,904	\$0

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 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 listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

6. PROPERTY TAXES (Continued)

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 on 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.

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$1,230,806 in the general fund and \$50,616 in the debt service fund.

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

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$234,792,120	80.53%	\$277,103,110	81.70%
Public Utility	18,216,580	6.25%	18,293,390	5.40%
Tangible Personal Property	38,542,460	13.22%	43,757,482	12.90%
Total Assessed Value	\$291,551,160	100.00%	\$339,153,982	100.00%
Tax rate per \$1,000 of assessed valuation	\$41.79		\$41.64	

7. RECEIVABLES

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

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

7. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Tuition	\$20,244
Bus Reimbursement	103,192
Driver Education	1,150
Total General Fund	124,586
Food Service Enterprise Fund:	
Federal School Lunch Program	13,707
Total of All Funds	\$138,293

8. FIXED ASSETS

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

Furniture and Equipment	\$368,078
Less Accumulated Depreciation	(331,947)
Net Fixed Assets	\$36,131

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at, 6/30/99
Land and Buildings	\$10,836,193	\$21,230	\$0	\$10,857,423
Furniture, Fixtures and Equipment	3,086,562	353,171	101,012	3,338,721
Vehicles	1,279,296	10,395	0	1,289,691
Textbooks	117,540	386,943	3,433	501,050
Total General Fixed Assets	\$15,319,591	\$771,739	\$104,445	\$15,986,885

9. RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

9. RISK MANAGEMENT (Continued)

The School District provides life insurance and accidental death and dismemberment insurance to all employees through the Medical Life Insurance Company. The life insurance coverage is \$20,000 for certified and non-certified staff. Each staff member with 25 or more years with the District gets \$30,000 insurance coverage. Administrators have coverage at the nearest \$1,000 of their salary, to a maximum of \$75,000.

The School District also holds an additional \$1,000,000 umbrella insurance policy with Nationwide Insurance Company.

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

2. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

10. DEFINED BENEFIT PENSION PLANS

1. School Employees Retirement System

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Northeastern Local School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent was the portion used 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 contribution for pension obligations to SERS for the fiscal years ending June 30, 1999, 1998, and 1997 were \$220,563, \$301,402, and \$302,347, respectively, equal to the required contributions for each fiscal year; 45.22 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$120,816 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

2. State Teachers Retirement System

The Northeastern Local 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.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salary and the Northeastern Local 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 contribution for pension obligations to STRS for the fiscal years ending June 30, 1999, 1998, and 1997 were \$508,243, \$994,664, and \$1,077,497, respectively; 80.79 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$97,641 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

3. 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, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid. The remaining two members of the Board are with STRS.

11. POST EMPLOYMENT BENEFITS

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

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

11. POST EMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the 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 \$677,658 for fiscal year 1999.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 \$49,113.

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

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, unused sick leave up to the maximum of 215 days.

B. Health Benefits

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

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

12. EMPLOYEE BENEFITS (Continued)

The School District provides employee prescription drug and dental coverage through CoreSource.

C. Early Retirement Incentive

The School District offered an early retirement incentive during fiscal year 1999. Anyone who was eligible to retire with 30 years of service credit was eligible for the bonus. The bonus amount was \$20,000, payable over the next three years in three equal payments beginning on June 1, 2000, and ending June 1, 2002. The incentive will be in place for fiscal years 2000 and 2001 also. The total liability recorded in the general long-term obligations account group for the retirement incentive is \$300,000.

13. SHORT TERM OBLIGATIONS

During fiscal year 1999, the School District issued a one year, \$25,000 energy conservation loan for the purpose of implementing energy conservation measures at various School District buildings. This loan is backed by the full faith and credit of the School District. The loan liability is reflected in the general fund, which received the proceeds.

As of June 30, 1999, the School District had this loan outstanding:

	<u>Balance July 1, 1998</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1999</u>
General Fund:				
Energy Conservation Loan - 4%	\$60,000	\$25,000	\$60,000	\$25,000

14. LONG-TERM OBLIGATIONS

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

	<u>Amount Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/99</u>
General Obligation Bonds:				
1996 Building Issue - 5.125 to 6%	\$5,230,000	\$0	\$85,000	\$5,145,000
Total General Obligation Bonds	<u>5,230,000</u>	<u>0</u>	<u>85,000</u>	<u>5,145,000</u>
Intergovernmental Payable	186,902	153,942	186,902	153,942
Early Retirement Incentive	0	300,000	0	300,000
Compensated Absences	<u>1,225,229</u>	<u>92,155</u>	<u>0</u>	<u>1,317,384</u>
Total General Long-Term Obligations	<u><u>\$6,642,131</u></u>	<u><u>\$546,097</u></u>	<u><u>\$271,902</u></u>	<u><u>\$6,916,326</u></u>

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

14. LONG-TERM OBLIGATIONS (Continued)

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

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

The School District's overall legal debt margin was \$25,545,521, the energy conservation loan debt margin was \$249,715, with an unvoted debt margin of \$339,154 at June 30, 1999.

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

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$100,000	\$286,732	\$386,732
2001	110,000	280,533	390,533
2002	120,000	273,632	393,632
2003	135,000	265,983	400,983
2004	150,000	257,432	407,432
2005-2009	1,005,000	1,128,741	2,133,741
2010-2014	1,530,000	779,219	2,309,219
2015-2019	1,995,000	280,414	2,275,414
Total	<u>\$5,145,000</u>	<u>\$3,552,686</u>	<u>\$8,697,686</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

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

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$683,598	\$153,179	\$836,777
Depreciation Expense	1,545	4,371	5,916
Operating Loss	(158,233)	(12,136)	(170,369)
Donated Commodities	45,122	0	45,122
Federal and State Subsidies	75,723	0	75,723
Interest	2,724	0	2,724
Net Loss	(34,664)	(12,136)	(46,800)
Fixed Assets Additions	0	2,454	2,454
Long - Term Liabilities Payable from Revenue	55,469	12,271	67,740
Net Working Capital	53,709	24,172	77,881
Total Assets	120,515	67,241	187,756
Total Equity	6,997	39,276	46,273
Encumbrances Outstanding at June 30, 1999	\$198	\$1,850	\$2,048

16. JOINTLY GOVERNED ORGANIZATIONS

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

The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$49,367 for services provided during the year. Financial information can be obtained from MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Mad River-Green Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District did not have any financial transactions with this organization for fiscal year 1999. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Mary Beth Kemmer, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Southwestern Ohio Educational Purchasing Council (SOEPC) - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for the quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture, supplies, etc. purchased by the SOEPC is held 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. A one year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member will be liable for all member obligations during this one year period. Payments to SOEPC are made from the general fund. The District contributed \$1,335 for the operation of the consortium during fiscal year 1999. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as director, at 1831 Harshman Road, Dayton, Ohio 45424.

17. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. The premium paid for fiscal year 1999 was \$64,224, which is 5.38% of the total trust.

18. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$7,083,870 in school foundation support for its general fund.

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

18. STATE SCHOOL FUNDING DECISION (Continued)

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

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

19. SET-ASIDE CALCULATIONS

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

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

	<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	\$70,362	\$70,362
Current Year Set-aside Requirement	262,000	262,000	131,000	655,000
Current Year Offsets	(255,339)	0	0	(255,339)
Qualifying Disbursements	(49,084)	(2,162,604)	0	(2,211,688)
Total	<u>(\$42,423)</u>	<u>(\$1,900,604)</u>	<u>\$201,362</u>	<u>(\$1,741,665)</u>
Cash Balance carried forward to FY'00	<u>\$0</u>	<u>\$0</u>	<u>\$201,362</u>	<u>\$201,362</u>
Amount restricted for bus purchases				<u>87,236</u>
Total Restricted Assets				<u>\$288,598</u>

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

19. SET-ASIDE CALCULATIONS (Continued)

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years, however, the additional amount for textbooks and instructional materials can be used as an offset next fiscal year.

20. CONTINGENCIES

1. Grants

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

2. Litigation

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

21. 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 government's operations as early as fiscal year 1999.

The School District uses Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education information system (EMIS) accounting services. These services are provided by the Miami Valley Educational Computer Association (MVECA - see Note 16). The State is responsible for remediating these systems and any associated costs.

Clark County collects property taxes for distribution to Northeastern Local School District. Clark County is responsible for remediating the tax collection system and is solely responsible for any costs associated with the tax collection system project.

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

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

21. YEAR 2000 COMPLIANCE (Continued)

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 School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

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

Federal Grantor <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$34,700	\$0	\$46,108
National School Lunch Program	03PU98	10.555	5,131	0	5,131	0
	03PU99		26,557	0	26,557	0
	04PU98		5,848	0	5,848	0
	04PU99		35,759	0	35,759	0
			<u>73,295</u>	<u>0</u>	<u>73,295</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>73,295</u>	<u>34,700</u>	<u>73,295</u>	<u>46,108</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Direct Receipt</i>						
Telecommunications Act Grant		84.xxx	4,138	0	763	0
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
Title VI-B	6BSF98	84.027	0	0	14,649	0
	6BSF99		117,564	0	104,708	0
Total Special Education Grants to States			<u>117,564</u>	<u>0</u>	<u>119,357</u>	<u>0</u>
Special Education - Preschool Grant	PGS198	84.173	0	0	2,271	0
	PGS199		13,689	0	13,689	0
Total Special Education - Preschool Grant			<u>13,689</u>	<u>0</u>	<u>15,960</u>	<u>0</u>
Total Special Education Cluster			<u>131,253</u>	<u>0</u>	<u>135,317</u>	<u>0</u>
Goals 2000	G2A299	84.276	1,889	0	1,889	0
	G2S299		10,000	0	1,056	0
Total Goals 2000			<u>11,889</u>	<u>0</u>	<u>2,945</u>	<u>0</u>
Grants to Local Educational Agencies						
Title I	C1S198	84.010	0	0	7,128	0
	C1S199		48,076	0	41,814	0
Total Grants to Local Educational Agencies			<u>48,076</u>	<u>0</u>	<u>48,942</u>	<u>0</u>
Innovative Educational Program Strategies	C2S197	84.298	(104)	0	0	0
	C2S198		0	0	3,717	0
	C2S199		12,828	0	7,411	0
Total Innovative Educational Program Strategies			<u>12,724</u>	<u>0</u>	<u>11,128</u>	<u>0</u>
Drug-Free Schools Grant	DRS198	84.186	0	0	2,114	0
	DRS199		17,632	0	17,218	0
Total Drug-Free Schools Grant			<u>17,632</u>	<u>0</u>	<u>19,332</u>	<u>0</u>
<i>Passed Through Clark County ESC:</i>						
Eisenhower Professional Development State Grant	MSS199	84.281	9,399	0	243	0
Total U.S. Department of Education			<u>235,111</u>	<u>0</u>	<u>218,670</u>	<u>0</u>
U.S. Bureau of Land Management						
<i>Passed Through Clark County:</i>						
Federal Flood Control Program	PL97-258	15.226	2,271	0	2,271	0
U.S. Department of Labor						
<i>Passed Through Ohio Department of Education:</i>						
School to work BES Pass Through Grant	WKBE98	17.249	36,200	0	36,200	0
Totals			<u>\$346,877</u>	<u>\$34,700</u>	<u>\$330,436</u>	<u>\$46,108</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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***

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

To the Board of Education:

We have audited the financial statements of Northeastern Local School District, Clark County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 29, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 29, 1999.

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

Jim Petro
Auditor of State

December 29, 1999



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

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

To the Board of Education:

Compliance

We have audited the compliance of Northeastern Local School District, Clark County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

December 29, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA #'s 84.027 & 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
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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

NORTHEASTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2000**