



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet – All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental and Similar Fiduciary Fund Types .....	8
Combined Statement of Revenues, Expenses, and Changes in Fund Balance/ Retained Earnings – All Proprietary and Similar Fiduciary Fund Types .....	12
Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types .....	13
Notes to the General-Purpose Financial Statements .....	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	35
Schedule of Findings .....	37

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## REPORT OF INDEPENDENT ACCOUNTANTS

Northeastern Local School District  
Defiance County  
05921 Domersville Road  
Defiance, Ohio 43512-6703

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Northeastern Local School District, Defiance County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northeastern Local School District, Defiance County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

December 19, 2000

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**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,905,614	\$113,081	\$68,449	\$7,985,836
Cash and Cash Equivalents with Fiscal Agents		1,690		
Receivables:				
Taxes	3,893,774		472,882	55,846
Accounts	1,140			50,921
Intergovernmental	639			
Accrued Interest	22,534			199,937
Materials and Supplies Inventory	40,646			
Prepaid Items	10,077			
Fixed Assets (Net of Accumulated Depreciation, Where Applicable)				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	79,620			
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of Debt Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$6,954,044</u></b>	<b><u>\$114,771</u></b>	<b><u>\$541,331</u></b>	<b><u>\$8,292,540</u></b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$23,633	\$4,928		
Contracts Payable				\$216,984
Accrued Wages and Benefits	609,229	12,222		
Compensated Absences Payable	41,196			
Intergovernmental Payable	99,778	778		
Deferred Revenue	3,673,943		\$444,327	52,556
Due to Students				
Notes Payable				1,500,000
General Obligation Bonds Payable				
Energy Conservation Loan Payable				
Capital Appreciation Bonds Payable				
Total Liabilities	<u>4,447,779</u>	<u>17,928</u>	<u>444,327</u>	<u>1,769,540</u>
<b>Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	328,479	16,549		470,011
Reserved for Inventory	40,646			
Reserved for Prepaid Items	10,077			
Reserved for Contributions				
Reserved for Debt Service Principal			68,449	
Reserved for Property Taxes	219,831		28,555	3,290
Reserved for Budget Stabilization	79,620			
Unreserved, Undesignated	1,827,612	80,294		6,049,699
Total Equity and Other Credits	<u>2,506,265</u>	<u>96,843</u>	<u>97,004</u>	<u>6,523,000</u>
<b>Total Liabilities, Equity, and Other Credits</b>	<b><u>\$6,954,044</u></b>	<b><u>\$114,771</u></b>	<b><u>\$541,331</u></b>	<b><u>\$8,292,540</u></b>

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



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>		
\$83,693	\$35,151			\$11,191,824 1,690
865				4,422,502 52,926 639
7,002	145			222,616 47,648 10,077
62,061		\$5,966,295		6,028,356 79,620
			\$68,449 7,209,127	68,449 7,209,127
<b><u>\$153,621</u></b>	<b><u>\$35,296</u></b>	<b><u>\$5,966,295</u></b>	<b><u>\$7,277,576</u></b>	<b><u>\$29,335,474</u></b>
\$3,872	\$1,489			\$33,922 216,984 638,679
17,228			\$594,914	643,742
7,632			51,241	161,450
9,653				4,172,432
1,606	22,165			22,165 1,500,000
			350,000	350,000
			32,000	32,000
			6,249,421	6,249,421
<u>39,991</u>	<u>23,654</u>		<u>7,277,576</u>	<u>14,020,795</u>
		\$5,966,295		5,966,295
113,630				113,630
				815,039 40,646 10,077
	10,600			10,600 68,449 251,676 79,620
	1,042			7,958,647
<u>113,630</u>	<u>11,642</u>	<u>5,966,295</u>		<u>15,314,679</u>
<b><u>\$153,621</u></b>	<b><u>\$35,296</u></b>	<b><u>\$5,966,295</u></b>	<b><u>\$7,277,576</u></b>	<b><u>\$29,335,474</u></b>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$2,740,390	\$318,630
Interest	270,785	
Tuition and Fees	300,383	
Rent	291	
Extracurricular Activities		173,973
Gifts and Donations	67,454	1,580
Property and Other Local Taxes	4,009,973	
Miscellaneous	20,757	
	<u>7,410,033</u>	<u>494,183</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,358,303	24,152
Special	425,928	196,602
Vocational	121,093	
Adult/Continuing	756	
Other	205,704	
Support Services:		
Pupils	275,514	48,163
Instructional Staff	224,500	17,554
Board of Education	23,853	
Administration	650,857	39,525
Fiscal	213,470	604
Operation and Maintenance of Plant	558,452	
Pupil Transportation	368,924	
Central	17,189	5,298
Non-Instructional Services	725	
Extracurricular activities	122,601	136,010
Capital Outlay	30,185	
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
	<u>6,598,054</u>	<u>467,908</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>811,979</u>	<u>26,275</u>
<b>Other Financing Sources/(Uses)</b>		
Operating Transfers In		3,131
Proceeds from Sale of Bonds and Notes		
Other Financing Sources	33,073	
Operating Transfers Out	(23,385)	
Other Financing Uses	(43,245)	
	<u>(33,557)</u>	<u>3,131</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>778,422</u>	<u>29,406</u>
Fund Balance at Beginning of Year	<u>1,727,843</u>	<u>67,437</u>
<b>Fund Balance at End of Year</b>	<b><u>\$2,506,265</u></b>	<b><u>\$96,843</u></b>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$20,315	\$48,031 243,211		\$3,127,366 513,996 300,383 291 173,973
66,816	215,513 50,921	\$155	69,189 4,292,302 71,678
<u>87,131</u>	<u>557,676</u>	<u>155</u>	<u>8,549,178</u>
	13,784		3,396,239 622,530 121,093
		714	1,470 205,704
4,763	575		323,677 242,054 23,853 690,382 219,412 558,452 368,924 22,487 725 258,611 683,799
8,579 1,648	7,749,421 185,182		7,758,000 186,830
<u>14,990</u>	<u>8,602,576</u>	<u>714</u>	<u>15,684,242</u>
<u>72,141</u>	<u>(8,044,900)</u>	<u>(559)</u>	<u>(7,135,064)</u>
9,591 15,215	7,908 14,349,421	69	20,699 14,349,421 48,288 (23,385) (43,245)
<u>24,806</u>	<u>14,357,329</u>	<u>69</u>	<u>14,351,778</u>
96,947 57	6,312,429 210,571	(490) 1,388	7,216,714 2,007,296
<u><b>\$97,004</b></u>	<u><b>\$6,523,000</b></u>	<u><b>\$898</b></u>	<u><b>\$9,224,010</b></u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$2,826,330	\$2,758,585	(\$67,745)
Interest	237,300	257,497	20,197
Tuition and Fees	300,423	300,435	12
Rent	250	291	41
Extracurricular Activities			
Gifts and Donations	67,450	67,454	4
Property and Other Local Taxes	4,102,725	4,102,727	2
Miscellaneous	36,819	25,487	(11,332)
Total Revenues	<u>7,571,297</u>	<u>7,512,476</u>	<u>(58,821)</u>
<b>Expenditures:</b>			
Instruction:			
Regular	3,613,700	3,426,748	186,952
Special	547,759	423,368	124,391
Vocational	132,550	120,603	11,947
Adult/Continuing	2,325	757	1,568
Other	216,000	205,736	10,264
Support Services:			
Pupils	305,253	279,723	25,530
Instructional Staff	245,670	223,822	21,848
Board of Education	36,170	23,646	12,524
Administration	701,962	648,483	53,479
Fiscal	236,056	214,090	21,966
Operation and Maintenance of Plant	792,489	594,380	198,109
Pupil Transportation	516,654	467,909	48,745
Central	17,800	17,189	611
Non-Instructional Services	4,900	3,015	1,885
Extracurricular Activities	139,875	121,549	18,326
Capital Outlay	302,227	180,030	122,197
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>7,811,390</u>	<u>6,951,048</u>	<u>860,342</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(240,093)</u>	<u>561,428</u>	<u>801,521</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	53,550	53,550	
Proceeds from Sale of Bonds			
Refund of Prior Year Expenditures	32,925	33,073	148
Other Financing Sources			
Operating Transfers Out	(77,000)	(76,935)	65
Refund of Prior Year Receipts	(75,000)	(43,245)	31,755
Advances Out	(30,000)		30,000
Other Financing Uses	(50)		50
Total Other Financing Sources (Uses)	<u>(95,575)</u>	<u>(33,557)</u>	<u>62,018</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(335,668)</u>	<u>527,871</u>	<u>863,539</u>
Fund Balances at Beginning of Year	1,886,541	1,886,541	
Prior Year Encumbrances Appropriated	216,269	216,269	
<b>Fund Balances at End of Year</b>	<u><u>\$1,767,142</u></u>	<u><u>\$2,630,681</u></u>	<u><u>\$863,539</u></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$320,384	\$321,408	\$1,024	\$20,300	\$20,315	\$15
164,025	173,973	9,948			
1,575	1,580	5	223,445	223,443	(2)
<u>485,984</u>	<u>496,961</u>	<u>10,977</u>	<u>243,745</u>	<u>243,758</u>	<u>13</u>
29,118	28,046	1,072			
214,192	197,568	16,624			
48,163	48,163				
25,290	17,089	8,201			
54,929	50,093	4,836			
604	604		7,500	4,763	2,737
7,031	5,299	1,732			
168,949	153,650	15,299			
			7,758,000	7,758,000	
			186,850	186,830	20
<u>548,276</u>	<u>500,512</u>	<u>47,764</u>	<u>7,952,350</u>	<u>7,949,593</u>	<u>2,757</u>
<u>(62,292)</u>	<u>(3,551)</u>	<u>58,741</u>	<u>(7,708,605)</u>	<u>(7,705,835)</u>	<u>2,770</u>
3,090	3,131	41	9,591	9,591	
			7,749,422	7,749,422	
			15,200	15,214	14
<u>3,090</u>	<u>3,131</u>	<u>41</u>	<u>7,774,213</u>	<u>7,774,227</u>	<u>14</u>
(59,202)	(420)	58,782	65,608	68,392	2,784
55,921	55,921		57	57	
36,110	36,110				
<u>\$32,829</u>	<u>\$91,611</u>	<u>\$58,782</u>	<u>\$65,665</u>	<u>\$68,449</u>	<u>\$2,784</u>

(Continued)

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$38,590	\$48,031	\$9,441
Interest	60,000	43,274	(16,726)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes	27,025	27,041	16
Miscellaneous	50,921	50,921	
Total Revenues	<u>176,536</u>	<u>169,267</u>	<u>(7,269)</u>
<b>Expenditures:</b>			
Instruction:			
Regular	13,784	13,784	
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	1,000	576	424
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	1,180,447	1,123,625	56,822
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>1,195,231</u>	<u>1,137,985</u>	<u>57,246</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,018,695)</u>	<u>(968,718)</u>	<u>49,977</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	7,908	7,908	
Proceeds from Sale of Bonds	8,100,000	8,100,000	
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)	<u>8,107,908</u>	<u>8,107,908</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,089,213	7,139,190	49,977
Fund Balances at Beginning of Year	137,746	137,746	
Prior Year Encumbrances Appropriated	21,905	21,905	
<b>Fund Balances at End of Year</b>	<u><u>\$7,248,864</u></u>	<u><u>\$7,298,841</u></u>	<u><u>\$49,977</u></u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$3,205,604	\$3,148,339	(\$57,265)
			297,300	300,771	3,471
			300,423	300,435	12
			250	291	41
\$150	\$156	\$6	164,025	173,973	9,948
			69,175	69,190	15
			4,353,195	4,353,211	16
			87,740	76,408	(11,332)
<u>150</u>	<u>156</u>	<u>6</u>	<u>8,477,712</u>	<u>8,422,618</u>	<u>(55,094)</u>
			3,656,602	3,468,578	188,024
			761,951	620,936	141,015
			132,550	120,603	11,947
375	364	11	2,700	1,121	1,579
			216,000	205,736	10,264
			353,416	327,886	25,530
			270,960	240,911	30,049
			36,170	23,646	12,524
			756,891	698,576	58,315
			245,160	220,033	25,127
			792,489	594,380	198,109
			516,654	467,909	48,745
			24,831	22,488	2,343
			4,900	3,015	1,885
			308,824	275,199	33,625
			1,482,674	1,303,655	179,019
			7,758,000	7,758,000	
			186,850	186,830	20
<u>375</u>	<u>364</u>	<u>11</u>	<u>17,507,622</u>	<u>16,539,502</u>	<u>968,120</u>
<u>(225)</u>	<u>(208)</u>	<u>17</u>	<u>(9,029,910)</u>	<u>(8,116,884)</u>	<u>913,026</u>
50	69	19	74,189	74,249	60
			15,849,422	15,849,422	
			32,925	33,073	148
			15,200	15,214	14
			(77,000)	(76,935)	65
			(75,000)	(43,245)	31,755
			(30,000)		30,000
			(50)		50
<u>50</u>	<u>69</u>	<u>19</u>	<u>15,789,686</u>	<u>15,851,778</u>	<u>62,092</u>
(175)	(139)	36	6,759,776	7,734,894	975,118
1,388	1,388		2,081,653	2,081,653	
			274,284	274,284	
<u>\$1,213</u>	<u>\$1,249</u>	<u>\$36</u>	<u>\$9,115,713</u>	<u>\$10,090,831</u>	<u>\$975,118</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCE/RETAINED EARNINGS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$271,674		\$271,674
Interest		\$652	652
Other Revenues	352		352
<b>Total Operating Revenues</b>	<u>272,026</u>	<u>652</u>	<u>272,678</u>
<b>Operating Expenses:</b>			
Salaries	110,605		110,605
Fringe Benefits	48,579		48,579
Purchased Services	3,426	1,138	4,564
Materials and Supplies	187,583		187,583
Depreciation	1,288		1,288
Other	295		295
<b>Total Operating Expenses</b>	<u>351,776</u>	<u>1,138</u>	<u>352,914</u>
Operating Loss	<u>(79,750)</u>	<u>(486)</u>	<u>(80,236)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	25,817		25,817
Federal and State Subsidies	54,972		54,972
<b>Total Non-Operating Revenues</b>	<u>80,789</u>		<u>80,789</u>
Income/(Loss) Before Operating Transfers	1,039	(486)	553
Operating Transfers-In	1,486		1,486
Net Income/(Loss)	2,525	(486)	2,039
Fund Balance/Retained Earnings at Beginning of Year	111,105	11,230	122,335
<b>Fund Balance/Retained Earnings at End of Year</b>	<u><b>\$113,630</b></u>	<u><b>\$10,744</b></u>	<u><b>\$124,374</b></u>

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



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Sales	\$271,664		\$271,664
Other Cash Receipts	352		352
Cash Payments to Suppliers for Goods and Services	(160,277)		(160,277)
Cash Payments for Contract Services	(3,426)		(3,426)
Cash Payments for Employee Services	(113,373)		(113,373)
Cash Payments for Employee Benefits	(49,630)		(49,630)
Other Cash Payments	(295)		(295)
	<u>(54,985)</u>		<u>(54,985)</u>
Net Cash Used for Operating Activities			
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	63,639		63,639
Operating Transfers-In	1,486		1,486
	<u>65,125</u>		<u>65,125</u>
Net Cash Provided by Noncapital Financing Activities			
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Payments for Capital Acquisitions	(614)		(614)
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments		\$507	507
Net Increase in Cash and Cash Equivalents	9,526	507	10,033
Cash and Cash Equivalents at Beginning of Year	74,167	11,230	85,397
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$83,693</u></b>	<b><u>\$11,737</u></b>	<b><u>\$95,430</u></b>

(Continued)

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>			
Operating Loss	(\$79,750)	(\$486)	(80,236)
<b>Adjustments to Reconcile Operating Loss To Net Cash Used for Operating Activities:</b>			
Depreciation	1,288		1,288
Donated Commodities Used During the Year	25,817		25,817
Nonexpendable Trust Fund Interest		(507)	(507)
Adjustments to Capital Outlay	614		614
(Increase) Decrease in Assets:			
Accounts Receivable	(10)	(145)	(155)
Material and Supplies Inventory	3,158		3,158
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(2,977)		(2,977)
Intergovernmental Payable	(1,290)		(1,290)
Deferred Revenue	(2,324)		(2,324)
Accounts Payable	40	1,138	1,178
Accrued Wages and Benefits	449		449
Total Adjustments	<u>24,765</u>	<u>486</u>	<u>25,251</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(\$54,985)</u></b>	<b><u>486</u></b>	<b><u>(\$54,985)</u></b>
<b>Reconciliation of Nonexpendable Trust Fund Cash to Balance Sheet</b>			
Total Trust and Agency Fund Cash per Balance Sheet			\$35,151
Less: Expendable Trust			(1,249)
Less: Agency Funds			<u>(22,165)</u>
<b>Nonexpendable Trust Fund Cash</b>			<b><u>\$11,737</u></b>

The Food Service Fund consumed donated commodities with a value of \$25,817  
The use of these commodities is reflected as an operating expense.

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Northeastern Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northeastern Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's four instructional/support facilities.

**The Reporting Entity**

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Cisco Academy of Northwest Ohio, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
  - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

- b. Property taxes measurable but not available as of June 30, 2000, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
  
- 4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

**B. Fund Accounting**

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Funds**

The funds through which most Board of Education functions are typically financed.

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

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

Debt Service Fund - The fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

**2. Fiduciary Funds**

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds and Nonexpendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**3. Proprietary Funds**

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**4. Account Groups**

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

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

**C. Budgetary Accounting**

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2000, follows:

	Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget basis	\$527,871	(\$420)	\$68,392	\$7,139,190	(\$139)
Adjustments for:					
Revenue accruals	(102,443)	(2,778)	(156,627)	388,409	(1)

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Expenditure accruals	(1,559)	11,134	7,934,603	(8,151,586)	(350)
Other financing sources and uses accruals			(7,749,421)	6,249,421	
Encumbrances	354,553	21,470		686,995	
GAAP basis	<u>\$778,422</u>	<u>\$29,406</u>	<u>\$96,947</u>	<u>\$6,312,429</u>	<u>(\$490)</u>

**D. Encumbrances**

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Cash and Investments**

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

During fiscal year 2000, investments were limited to STAR Ohio.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$270,785.

For purposes of the combined statement of cash flows and for preparation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with initial maturity of more than three months are reported as investments.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

**G. Property, Plant and Equipment**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$300. No depreciation is recognized for asset in General Fixed Assets Account Group.

Public Domain ("infrastructure") general fixed assets consisting of curbs gutters, sidewalks, drainage systems and lightning systems are not capitalized, as these assets are immovable and of value only to the government. The District does not have any infrastructure.

**2. Proprietary Funds**

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to twenty years.

**H. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants 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. Grants for proprietary fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

**Entitlements**

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**Non-Reimbursable Grants**

Special Revenue Funds

Teacher Development Fund  
Educational Management Information Systems  
Title I  
Title VI  
Title VI-B (Through Northwest Ohio Educational Service Center)  
Eisenhower Grant (Through Northwest Ohio Educational Service Center)  
Drug Free Schools Grant (Through Northwest Ohio Educational Service Center)  
Federal Preschool Grant (Through Northwest Ohio Educational Service Center)  
Textbook/Instructional Material Subsidy  
Continuous Improvement Grant  
Ohio Reads Grant  
SchoolNet Professional Development

Capital Projects Funds

SchoolNet Plus

**Reimbursable Grants**

General Fund

Driver Education Reimbursement  
Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program  
Food Distribution Program

**I. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

**J. Compensated Absences**

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**L. Fund Balance Reserves**

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

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

**M. Long-term Obligations**

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**N. Estimates**

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

**O. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

**3. ACCOUNTABILITY**

At June 30, 2000, the Title VI Fund had a deficit fund balance of \$507 which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal 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 or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

2. Bonds, notes, debentures, or other obligations 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 through eligible institutions; and
6. The Ohio 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.

Investments in stripped principal or interest obligations, reverse purchase 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.

**Cash on Hand**

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions".

**Deposits**

At the year end, the carrying amount of the District's deposits was \$8,228,213 and the bank balance was \$8,307,211. Of the bank balance:

1. \$300,000 was covered by Federal Depository Insurance; and

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

2. \$8,007,211 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments**

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

The carrying amount and fair value of STAR Ohio was \$3,043,131 as of June 30, 2000. The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting cash flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that was Proprietary Fund Accounting."

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	11,273,134	
Cash with Fiscal Agents	(1,690)	
Cash on Hand	(100)	
Investments:		
Star Ohio	(3,043,131)	3,043,131
GASB Statement 3	\$8,228,213	\$3,043,131

**5. PROPERTY TAXES**

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	February and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and October of the current year
Lien Date	December 31 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	April and October of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2000.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Residential/Agricultural	\$74,227,740
Commercial/Industrial	18,721,010
Public Utility Personal Property	26,850,290
General Personal Property	<u>18,165,436</u>
Total Valuation	<u><u>\$137,964,476</u></u>

**6. FIXED ASSETS**

A summary of changes in the General Fixed Assets Account Group is as follows:

<u>Asset Category</u>	<u>Balance at 7/01/99</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/00</u>
Land and land improvements	\$141,500			\$141,500
Buildings	2,638,924	\$19,504		2,658,428
Furniture, fixtures and equipment	2,764,103	75,285	\$30,811	2,808,577
Construction In Progress		357,790		357,790
Totals	<u>\$5,544,527</u>	<u>452,579</u>	<u>\$30,811</u>	<u>5,966,295</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

A summary of Enterprise Fund fixed assets at June 30, 2000, follows:

Asset Category	Balance at 6/30/00
Furniture and Equipment	\$152,452
Less: Accumulated Depreciation	(90,391)
Totals	\$62,061

**7. NOTES PAYABLE**

The District issued \$1,500,000 in bond anticipation notes on June 28, 2000, at an interest rate of 5.18% to assist in the construction of a new elementary building and improvements to the junior/senior high school building.

**8. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Interest Rate	Maturity Date	Balance at July 1, 1999	Additions	Deletions	Balance at June 30, 2000
Capital Appreciation Bonds	Various	12/01/2026		\$6,249,421		\$6,249,421
Energy Conservation Loan	4.4%	11/23/2003	\$40,000		\$8,000	32,000
Energy Conservation Improvement Bonds	5.99%	11/23/2010		350,000		350,000
Intergovernmental Payable			46,703	4,538		51,241
Compensated Absences			571,241	23,673		594,914
Total Long-Term Obligations			\$657,944	\$6,627,632	\$8,000	\$7,277,576

Total expenditures for interest for the above debt for the period ended June 30, 2000, was \$186,830.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2001	\$8,000	\$446,926	\$454,926
2002	49,073	371,397	420,470
2003	54,073	366,971	421,044
2004	64,073	362,025	426,098
2005	71,073	356,630	427,703
Thereafter	6,385,129	5,398,077	11,783,206
Total	\$6,631,421	\$7,302,026	\$13,933,447

The capital appreciation bonds were issued in March 2000 for the purpose of constructing, furnishing, and equipping a new elementary building, and for the purpose of improving the junior/senior high school building.

The energy conservation loan was issued in 1993 for the purpose of providing energy conservation measures for the district pursuant to House Bill 264.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

The energy conservation bonds were issued in May 2000 for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy, pursuant to the laws of the State of Ohio, particularly Section 113.06(G) of the Ohio Revised Code.

**9. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 53 days for certified employees and 50 days for non-certified employees.

At June 30, 2000, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligations Account Group were \$41,196 and \$594,914, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000, was \$7,632.

**10. PENSION AND RETIREMENT PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$148,592, \$132,758, and \$126,573, respectively; 59 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$60,552 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The 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



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$536,792, \$495,187, and \$519,531, respectively; 69 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$164,316 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

**11. POST EMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000, will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of District contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 2000, as certified to the District by SERS.

For the District, the amount to fund health care benefits, including the surcharge equaled \$81,787 during the 2000 fiscal year.

**12. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Worker's Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**13. ENTERPRISE FUNDS SEGMENT INFORMATION**

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2000, was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$244,671	\$27,355	\$272,026
Depreciation	1,288		1,288
Operating income (loss)	(85,799)	6,049	(79,750)
Donated commodities	25,817		25,817
Grants	54,972		54,972
Operating transfers - in	1,486		1,486
Net income (loss)	(3,524)	6,049	2,525
Net working capital	(3,387)	54,956	51,569
Total assets	94,793	58,828	153,621
Total liabilities	36,119	3,872	39,991
Total equity	58,674	54,956	113,630

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$39,935. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Cisco Academy of Northwest Ohio**

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998, to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Michele Zeedyk, who serves as treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

**15. GROUP PURCHASING POOLS**

**A. Northern Buckeye Education Council Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$489,188. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$880 to the WCGRP to cover the costs of administering the program.

**16. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2000, consisting of transfers between funds were as follows:

	Transfers In	Transfers Out
General Fund		\$23,385
Special Revenue Fund	\$3,131	
Debt Service Fund	9,591	
Capital Projects Fund	7,908	
Expendable Trust Fund	69	
Enterprise Fund	1,486	
Agency Fund	1,200	
Total All Funds	\$23,385	\$23,385

**17. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The 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 District is also required to set aside money for budget stabilization.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$26,070	\$26,070
Current Year Set-aside Requirement	\$160,651	\$160,651	53,550	374,852
Qualifying Disbursements	(237,791)	(201,589)		(439,380)
Total	(\$77,140)	(\$40,938)	\$79,620	(\$38,458)
Cash Balance Carried Forward to FY 2001			\$79,620	\$79,620
Amount restricted for Budget Stabilization				\$79,620
Total Restricted Assets				\$79,620

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. The negative amounts may be used to offset future year textbook set-aside requirements, however may not be used to reduce future capital set-aside requirements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**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 State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$2,446,645 of school foundation support for its general fund.

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

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

As of the date of these financial statements, the 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. SUBSEQUENT EVENT**

In March 2000, the District issued \$6,249,421 in school improvement bonds for the purpose of constructing, furnishing, and equipping a new elementary school to serve the entire District, and constructing, furnishing, and equipping additions to, and renovating, rehabilitating, and otherwise improving the junior/senior high school. Ground breaking for the new elementary building took place in October 2000.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northeastern Local School District  
Defiance County  
05921 Domersville Road  
Defiance, Ohio 43512-6703

To the Board of Education:

We have audited the financial statements of Northeastern Local School District, Defiance County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10625-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2000.

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

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

**Jim Petro**  
Auditor of State

December 19, 2000



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2000**

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

**FINDING NUMBER *2000-10625-001.***

**Finding Repaid Under Audit**

Ohio Revised Code § 9.39 states that all public officials are liable for all public money received or collected by them or by their subordinates under color of office. Money collected and deposited for the choir sausage and cheese fund-raiser in fiscal year 2000 was \$669.06 less than what should have been collected as indicated by the vendor. Based on the foregoing facts a Finding for Recovery is hereby issued against Eric West, choir director, and Western Surety Company, holder of the District's public employee honesty blanket bond, jointly and severally, in the amount of \$669.06, in favor of the District treasury.

The District received reimbursement from Eric West in the amount of \$669.06 which was documented on receipt number 10333 and deposited to the bank on December 6, 2000.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**NORTHEASTERN LOCAL SCHOOL DISTRICT**

**DEFIANCE 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 18, 2001**