



**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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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](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Northmont City School District (the District), Montgomery County, as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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 Northmont City School District, Montgomery County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2002 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.

We performed our audit to form 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 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. We subjected this information 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

January 22, 2002

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**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<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>				
Equity in Pooled Cash and Investments	\$6,754,103	\$552,586	\$634,140	\$268,598
Restricted Equity in Pooled Cash and Investments	125,804			
Receivables:				
Taxes	16,083,962		280,056	23,003
Accounts	2,926	2,573		
Interfund Receivable	45,000			
Inventory				
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets & Other Debits	<u>23,011,795</u>	<u>555,159</u>	<u>914,196</u>	<u>291,601</u>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>				
Liabilities:				
Accounts Payable	414,197	16,381		36
Accrued Wages & Benefits	3,373,218	56,207		3,661
Compensated Absences Payable	339,883	2,224		842
Interfund Payable		10,000		
Deferred Revenue	14,598,350		251,582	
Due to Students				
General Obligation Bonds Payable				
Capital Lease Obligations				
Notes Payable				
Total Liabilities	<u>18,725,648</u>	<u>84,812</u>	<u>251,582</u>	<u>4,539</u>
<b>Fund Equity &amp; Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	562,898	44,238		
Reserved for Property Tax Advances	1,485,612		28,474	
Reserved for Set-Asides	125,804			
Unreserved & Designated	275,298			
Unreserved & Undesignated	1,836,535	426,109	634,140	287,062
Total Fund Equity (Deficit) & Other Credits	<u>4,286,147</u>	<u>470,347</u>	<u>662,614</u>	<u>287,062</u>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b><u>\$23,011,795</u></b>	<b><u>\$555,159</u></b>	<b><u>\$914,196</u></b>	<b><u>\$291,601</u></b>

*See Accompanying Notes to the General-Purpose Financial Statements.*



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$115,276	\$108,360			\$8,433,063 125,804
				16,387,021 5,499 45,000
52,721				52,721
422,251		14,889,881		15,312,132
			662,614	662,614
			4,176,798	4,176,798
<u>590,248</u>	<u>108,360</u>	<u>14,889,881</u>	<u>4,839,412</u>	<u>45,200,652</u>
36,446	6,637			473,697
177,550			324,694	3,935,330
54,214			3,025,291	3,422,454
35,000				45,000
38,325				14,888,257
	101,723			101,723
			935,000	935,000
293,421			299,427	592,848
			255,000	255,000
<u>634,956</u>	<u>108,360</u>		<u>4,839,412</u>	<u>24,649,309</u>
		14,889,881		14,889,881
(44,708)				(44,708)
				607,136
				1,514,086
				125,804
				275,298
				3,183,846
<u>(44,708)</u>		<u>14,889,881</u>		<u>20,551,343</u>
<u>\$590,248</u>	<u>\$108,360</u>	<u>\$14,889,881</u>	<u>\$4,839,412</u>	<u>\$45,200,652</u>

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
Taxes	\$16,653,163		\$296,275	\$139,691	\$17,089,129
Intergovernmental	17,626,085	919,717	37,806	256,373	18,839,981
Investment	465,984	4,387		25,055	495,426
Tuition & Fees	363,893	51,318			415,211
Extracurricular Activities		511,539			511,539
Miscellaneous	336,887	149,874			486,761
<b>Total Revenues</b>	<u>35,446,012</u>	<u>1,636,835</u>	<u>334,081</u>	<u>421,119</u>	<u>37,838,047</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	18,190,847	212,606		351,875	18,755,328
Special	2,843,123	357,042			3,200,165
Vocational	287,563				287,563
Other	634,770				634,770
<b>Support Services:</b>					
Pupils	2,724,968	64,630			2,789,598
Instructional Staff	384,107	84,344			468,451
Board of Education	56,959				56,959
Administration	2,564,909	117,070		1,000	2,682,979
Fiscal	624,928		4,046		628,974
Business	479,391				479,391
Operation & Maintenance of Plant	2,902,936				2,902,936
Pupil Transportation	1,750,970	3,050			1,754,020
Central	260,934	5,807			266,741
Operation of Non-Instructional Services	0	227,241			227,241
Extracurricular Activities	437,271	536,514			973,785
Capital Outlay	773,772			29,639	803,411
<b>Debt Service:</b>					
Principal Retirement	125,163		275,000		400,163
Interest & Fiscal Charges	44,271		82,368		126,639
<b>Total Expenditures</b>	<u>35,086,882</u>	<u>1,608,304</u>	<u>361,414</u>	<u>382,514</u>	<u>37,439,114</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>359,130</u>	<u>28,531</u>	<u>(27,333)</u>	<u>38,605</u>	<u>398,933</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,190				1,190
Operating Transfers In		40,000			40,000
Operating Transfers Out	(40,000)				(40,000)
Proceeds of Capital Leases	34,243				34,243
<b>Total Other Financing Sources (Uses)</b>	<u>(4,567)</u>	<u>40,000</u>			<u>35,433</u>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<u>354,563</u>	<u>68,531</u>	<u>(27,333)</u>	<u>38,605</u>	<u>434,366</u>
<b>Fund Balance, Beginning of Year</b>	<u>3,931,584</u>	<u>401,816</u>	<u>689,947</u>	<u>248,457</u>	<u>5,271,804</u>
<b>Fund Balance, End of Year</b>	<u>\$4,286,147</u>	<u>\$470,347</u>	<u>\$662,614</u>	<u>\$287,062</u>	<u>\$5,706,170</u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$15,622,337	\$15,622,337				
Intergovernmental	17,631,135	17,631,135		919,717	919,717	
Investment	467,854	467,854		4,387	4,387	
Tuition & Fees	454,074	454,074		41,035	41,035	
Extracurricular Activities				511,539	511,539	
Miscellaneous	359,628	359,628		129,109	129,109	
<b>Total Revenues</b>	<b>34,535,028</b>	<b>34,535,028</b>		<b>1,605,787</b>	<b>1,605,787</b>	
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	18,155,488	18,155,488		222,809	222,809	
Special	2,766,616	2,766,616		326,260	326,260	
Vocational	288,435	288,435				
Other	696,970	696,970				
Support Services:						
Pupils	2,741,798	2,741,798		82,425	82,425	
Instructional Staff	390,198	390,198		78,211	78,211	
Board of Education	62,454	62,454				
Administration	2,683,251	2,683,251		115,027	115,027	
Fiscal	679,681	679,681				
Business	493,238	493,238				
Operation & Maintenance of Plant	2,932,531	2,932,531				
Pupil Transportation	1,805,564	1,805,564		3,050	3,050	
Central	286,856	286,856		5,807	5,807	
Operation of Non-Instructional Services				255,780	255,780	
Extracurricular Activities	438,997	438,997		564,512	564,512	
Capital Outlay	902,371	902,371				
Debt Service:						
Principal Retirement	113,718	113,718				
Interest & Fiscal Charges	148,426	148,426				
<b>Total Expenditures</b>	<b>35,586,592</b>	<b>35,586,592</b>		<b>1,653,881</b>	<b>1,653,881</b>	
Excess (Deficiency) of Revenues Over Under Expenditures	(1,051,564)	(1,051,564)		(48,094)	(48,094)	
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	1,190	1,190				
Operating Transfers In				40,000	40,000	
Operating Transfers Out	(40,000)	(40,000)				
Advances In	40,000	40,000		25,000	25,000	
Advances Out	(25,000)	(25,000)		(15,000)	(15,000)	
Other Financing Uses	(491,769)	(491,769)	491,769			
<b>Total Other Financing Sources (Uses)</b>	<b>(515,579)</b>	<b>(23,810)</b>	<b>491,769</b>	<b>50,000</b>	<b>50,000</b>	
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(1,567,143)	(1,075,374)	491,769	1,906	1,906	
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	6,978,183	6,978,183		427,573	427,573	
<b>Fund Balance, End of Year</b>	<b>\$5,411,040</b>	<b>\$5,902,809</b>	<b>\$491,769</b>	<b>\$429,479</b>	<b>\$429,479</b>	

See Accompanying Notes to the General-Purpose Financial Statements.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$275,848	\$275,848		\$116,688	\$116,688		\$16,014,873	\$16,014,873	
37,806	37,806		287,549	287,549		18,876,207	18,876,207	
			25,055	25,055		497,296	497,296	
						495,109	495,109	
						511,539	511,539	
						488,737	488,737	
313,654	313,654		429,292	429,292		36,883,761	36,883,761	
			360,847	360,847		18,739,144	18,739,144	
						3,092,876	3,092,876	
						288,435	288,435	
						696,970	696,970	
						2,824,223	2,824,223	
						468,409	468,409	
						62,454	62,454	
			1,000	1,000		2,799,278	2,799,278	
4,046	4,046					683,727	683,727	
						493,238	493,238	
						2,932,531	2,932,531	
						1,808,614	1,808,614	
						292,663	292,663	
						255,780	255,780	
						1,003,509	1,003,509	
			29,639	29,639		932,010	932,010	
275,000	275,000					388,718	388,718	
82,368	82,368					230,794	230,794	
361,414	361,414		391,486	391,486		37,993,373	37,993,373	
(47,760)	(47,760)		37,806	37,806		(1,109,612)	(1,109,612)	
						1,190	1,190	
						40,000	40,000	
						(40,000)	(40,000)	
						65,000	65,000	
						(40,000)	(40,000)	
						(491,769)		\$491,769
						(465,579)	26,190	491,769
(47,760)	(47,760)		37,806	37,806		(1,575,191)	(1,083,422)	491,769
681,901	681,901		230,789	230,789		8,318,446	8,318,446	
\$634,141	\$634,141		\$268,595	\$268,595		\$6,743,255	\$7,235,024	\$491,769

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Revenues:</b>	
Charges for Services	\$1,889,851
Miscellaneous Revenue	<u>452,662</u>
Total Operating Revenues	<u>2,342,513</u>
<b>Operating Expenses:</b>	
Salaries	1,331,024
Fringe Benefits	131,383
Purchased Services	98,450
Materials & Supplies	1,113,191
Depreciation	40,188
Other Operating Expenses	<u>1,404</u>
Total Operating Expenses	<u>2,715,640</u>
Operating (Loss)	<u>(373,127)</u>
<b>Non-Operating Revenues:</b>	
Investment Revenue	6,008
Donated Commodities	94,750
Operating Grants - State & Local	<u>252,839</u>
Total Non-Operating Revenues	<u>353,597</u>
Net (Loss)	(19,530)
Retained Earnings, Beginning of Year	<u>(25,178)</u>
Retained Earnings, End of Year	<u><u>(\$44,708)</u></u>

*See Accompanying Notest to the General-Purpose Financial Statements.*

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Charges for Services	\$1,889,851
Cash Received from Miscellaneous Sources	452,662
Cash Payments for Personal Services	(1,441,591)
Cash Payments for Contract Services	(102,937)
Cash Payments for Supplies & Materials	(930,549)
Cash Payments for Other Expenses	(1,404)
Net Cash Provided (Used) by Operating Activities	(133,968)
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash Received from Other Funds	(25,000)
Cash Received from Operating Grants	289,285
Net Cash Provided (Used) by Non-Capital Financing Activities	264,285
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(172,419)
<b>Cash Flows from Investing Activities:</b>	
Investment Earnings	28,555
Net (Decrease) in Cash and Cash Equivalents	(13,547)
Cash and Cash Equivalents at Beginning of Year	128,823
Cash and Cash Equivalents at End of Year	115,276
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating (Loss)	(373,127)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	40,188
Donated Commodities Used	94,750
<b>Changes in Assets and Liabilities:</b>	
(Increase) Decrease in Materials & Supplies Inventory	17,490
Increase (Decrease) in Accounts Payable	(26,912)
Increase (Decrease) in Intergovernmental Payable	(113,712)
Increase (Decrease) in Capital Lease Obligations	98,420
Increase (Decrease) in Accrued Wages & Benefits	147,729
Increase (Decrease) in Compensated Absences Payable	(8,822)
Increase (Decrease) in Deferred Revenue	(9,972)
Net Cash Provided (Used) by Operating Activities	(\$133,968)

*See Accompanying Notest to the General-Purpose Financial Statements.*

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**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Cities of Clayton and Englewood. The School District is the 58th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 309 non-certificated employees, 358 certificated full-time teaching personnel and 24 administrative employees who provide services to 5,800 students and other community members. The School District currently operates nine instructional buildings, one administrative building, and one service center.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following activities are included within the reporting entity:

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

The School District's Board is responsible for appointing the members of the Board of Trustees to the Northmont Education Foundation. The School District's accountability does not extend beyond making these appointments, therefore, the Northmont Education Foundation is considered a related organization.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT (Continued)**

The School District is associated with organizations which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), and the Southwestern Ohio Instructional Technology Association (SOITA). The insurance purchasing pools are the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP) and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types:**

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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).

**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.

**3. Fiduciary Fund Types:**

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Account Groups:**

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

**General Fixed Assets Account Group**

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

**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 funds.

**B. Measurement Focus and Basis of Accounting**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year, in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 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 funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

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

**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Tax Budget:**

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

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

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Prior to year end, the School District requested 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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations:**

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

**D. Cash and Investments**

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

During fiscal year 2001, the School District's investments were limited to certificate of deposits, U.S. Treasury Money Market, repurchase agreements and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$465,984. The Northmont Board of Education has passed a resolution to allow interest to also be recorded in the permanent improvement capital projects fund, the auxiliary services special revenue fund and the food service enterprise fund. These funds received \$25,055, \$4,387 and \$6,008, respectively.

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues and amounts required by statute to be set aside by the School District for a reserve for budget stabilization.

**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 iii governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and non-food items held for resale and are expensed when used.

**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 six hundred dollars. The School District does not have any infrastructure.

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

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

**H. Intergovernmental Revenues**

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

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



**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Entitlements**

**General Fund**

School Bus Purchase Program  
State Foundation Program  
State Property Tax Relief

**Non-Reimbursable Grants**

**Special Revenue Funds**

Venture Capital  
Auxiliary Services  
Education Management Information Systems  
Public School Preschool  
Title VI  
Title VI-B  
Title I  
Drug-Free Schools  
Occupation Information Systems  
Professional Development Block Grant  
School Security Grant  
Parent Involvement Planning Grant  
Title II  
Vocational Education  
Goals 2000 Intervention Pacesetter Grant,  
Reducing Class Size  
Eisenhower Math and Science  
Continuous Improvement Grant  
Ohio Reads Grant  
**Capital Projects Funds**  
School Net Plus  
Power Up Grant  
Interactive Video Distance Learning Grant

**Reimbursable Grants**

**General Fund**

Driver Education

**Special Revenue Fund**

E-Rate Grant

**Proprietary Funds**

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

**I. Interfund Assets/Liabilities**

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Debt**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, early retirement incentive and contractually required pension obligations that will be paid from governmental funds are reported as a liability in the general long-term 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 used current available financial resources. General obligation bonds, capital leases, and long-term notes 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.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance Reserves**

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

**N. Estimates**

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

**O. Total Columns on General Purpose Financial Statements**

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

**3. 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 bylaw 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 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:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

- c. 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).
- d. 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).
- e. 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$354,563	\$68,531	(\$27,333)	\$38,605
Revenue Accruals	(905,227)	(6,048)	(20,427)	8,173
Expenditure Accruals	452,385	42	0	(8,972)
Encumbrances	<u>(977,095)</u>	<u>(60,619)</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>(\$1,075,374)</u>	<u>\$ 1,907</u>	<u>(\$47,760)</u>	<u>\$37,806</u>

**4. 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 of all public money deposited with the institution.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

- a. 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;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. 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;
- d. Bond and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits:**

At fiscal year end, the carrying amount of the School District's deposits was \$152,619 and the bank balance was \$817,089. Of the bank balance, \$403,311 was covered by federal depository insurance and \$413,779 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, all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**B. Investments:**

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

	<b>Category 3</b>	<b>Carrying / Fair Value</b>
Monet Market - U.S. Treasury Securities	\$0	\$179,465
Repurchase Agreements	1,558,004	1,558,004
STAR Ohio	0	6,668,779
Totals	<b>\$1,558,004</b>	<b>\$8,406,248</b>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 within real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2001 taxes were collected are:

	<b>2000 Second - Half Collections</b>		<b>2001 First - Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$483,842,790	91.19%	\$495,775,720	91.36%
Public Utility	25,328,945	4.77%	19,658,900	3.62%
Tangible Personal Property	<u>21,415,900</u>	<u>4.04%</u>	<u>27,249,152</u>	<u>5.02%</u>
Total Assessed Value	<u>\$530,587,635</u>	<u>100.00%</u>	<u>\$542,683,772</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed Valuation	\$58.85		\$58.85	

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. 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, 2001, was \$1,485,612 in the general fund and \$10,328 in the debt service fund.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$1,069,973
Less Accumulated Depreciation	<u>(647,722)</u>
 Net Fixed Assets	 <u>\$ 422,251</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 06/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/01</u>
Land and Improvements	\$ 808,095	\$ 0	\$ 0	\$ 808,095
Buildings and Improvements	9,395,868	890,588	0	10,286,456
Furniture, Fixtures and Equipment	1,618,510	185,065	74,053	1,729,522
Vehicles	1,896,275	262,715	93,182	2,065,808
Construction in Progress	<u>153,550</u>	<u>0</u>	<u>153,550</u>	<u>0</u>
Total General Fixed Assets	<u>\$13,872,298</u>	<u>\$1,338,368</u>	<u>\$320,785</u>	<u>\$14,889,881</u>

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Crum and Forster for property insurance, State Farm for fleet insurance and Nationwide Insurance for liability insurance coverage. Coverages provided by the above companies are as follows:

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

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



**NORTHMONT CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$838,074, \$190,460, and \$332,947, respectively; 32 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$569,708 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$2,591,724, \$1,066,280, and \$882,089, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$450,976 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**9. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the year ended June 30, 2001, the allocation will be 4.5% of the covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, the balance in the Fund was \$3.149 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

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, 2001, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 249 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 62 days for certified employees and one-third of accrued, but unused sick leave credit to a maximum of 62 days for classified employees.

**B. Insurance Benefits**

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

**C. Retirement Incentive**

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2001, the School District entered into capitalized leases for equipment and furniture and fixtures. On a GAAP basis the new leases are classified as a capital outlay expenditure in the general fund with an offsetting amount reported as an other financing source and as a capital lease payable liability in the Food Service Fund with an offsetting amount reported as a fixed asset.

These leases meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. In the Food Service Fund, capital lease principal payments have been reclassified to reduce the liability and the interest payments have been reclassified as interest and fiscal charges expense. These expenditures are reported as function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group and in the Food Service Fund in the amount of \$37,007 and \$165,309, respectively. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and the Food Service Fund. The carrying value of the Food Service Fund capital lease fixed assets was \$293,421 at June 30, 2001. Principal payments in fiscal year 2001 totaled \$82,928 in the governmental funds and \$57,223 in the Food Service Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>	<u>Proprietary</u>
2002	\$100,414	\$90,814
2003	82,680	91,418
2004	70,344	87,294
2005	70,344	57,206
2006	<u>11,725</u>	<u>6,623</u>
Total	335,507	333,355
Less: Amount Representing Interest	<u>(36,080)</u>	<u>(39,934)</u>
Present Value of Net Minimum Lease Payments	<u>\$299,427</u>	<u>\$293,421</u>

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. LONG-TERM OBLIGATION**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Amount Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/01</u>
<u>Enterprise Obligations</u>				
Capital Leases	\$ 185,335	\$165,309	\$ 57,223	\$ 293,421
<u>General Long-term Obligations</u>				
1997 Energy Conservation Notes - 5.6%	\$ 300,000	\$ 0	\$ 45,000	\$ 255,000
1991 School Improvement Bonds - 5.6 to 6.85%	1,210,000	0	275,000	935,000
Capital Leases	345,348	37,007	82,928	299,427
Accrued Wages	548,960	0	224,266	324,694
Compensated Absences	<u>2,495,235</u>	<u>530,056</u>	<u>0</u>	<u>3,025,291</u>
Total General Long-term Obligations	<u>\$4,899,543</u>	<u>\$567,063</u>	<u>\$627,194</u>	<u>\$4,839,412</u>

**A. School Energy Conservation Notes**

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

**B. School Improvement Bonds**

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

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 335,000	\$ 67,795	\$ 402,795
2003	360,000	45,170	405,170
2004	385,000	20,434	405,434
2005	55,000	6,160	61,160
2006	<u>55,000</u>	<u>3,080</u>	<u>58,080</u>
Total	<u>\$1,190,000</u>	<u>\$142,639</u>	<u>\$1,332,639</u>

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**13. INTERFUND ACTIVITY**

As of June 30, 2001, the general fund has an interfund receivable of \$45,000 and the food service fund and special revenue fund have an interfund payable of \$35,000 and \$10,000; respectively.

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service, the early childhood center and latchkey. The table below reflects the more significant financial data relating to the enterprise funds of the Northmont Local School District as of and for the fiscal year ended June 30, 2001.

	<b>Food Service</b>	<b>Latchkey</b>	<b>Totals</b>
Operating Revenues	\$1,993,991	\$348,522	\$2,342,513
Depreciation Expense	40,188	0	40,188
Operating Loss	(333,311)	(39,816)	(373,127)
Federal and State Subsidies	252,839	0	252,839
Interest	6,008	0	6,008
Donated Commodities	94,750	0	94,750
Net Income (Loss)	20,286	(39,816)	(19,530)
Fixed Asset Additions	169,819	2,600	172,419
Net Working Capital	(251,821)	78,283	(173,538)
Total Assets	481,343	108,905	590,248
Total Equity (Deficit)	(122,991)	78,283	(44,708)

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Dayton Educational Cooperative Association**

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$109,915 for services provided during the year. Financial information can be obtained from MDECA at 201 Riverside Drive Suite 1 C, Dayton, Ohio 45405.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Southwestern Ohio Educational Purchasing Council**

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2001, the Northmont City School District paid \$1,837 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**C. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nomination committee selects individuals to run. One at-large non-public representative is elected by the nonpublic school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2001, the School District paid \$24,500 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. INSURANCE PURCHASING POOLS**

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

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

**B. Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust**

The School District also participates in the EPC Benefit Plan Trust (the Plan), a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. The District paid \$2,500,594 for medical and dental benefits to the Plan during the year.

**17. SCHOOL FUNDING COURT DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 22, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration

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



**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$ 79,000	\$ 0	\$125,804
Current Year Set-aside Requirement	817,806	817,806	0
Current Year Offsets	0	0	0
Qualifying Disbursements	<u>(1,319,600)</u>	<u>(1,814,900)</u>	<u>0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$ 422,794)</u>	<u>(\$997,094)</u>	<u>\$125,804</u>
Set-aside Reserve Balance as of June 30, 2001	<u>(\$ 422,794)</u>		<u>\$125,804</u>

The School District had qualifying disbursements during the year that reduced the set-aside amounts for capital acquisitions to below zero. This extra amount may not be used to reduce the set-aside requirements for future years. The requirement for budget stabilization was removed effective April 2001.

**19. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

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

**20. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB 33.

**NORTHMONT CITY SCHOOL DISTRICT**  
**MONTGOMERY COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED June 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	(A)	10.550		\$84,778		\$94,750
School Breakfast Program	048728 05-PU-01	10.553	12,328		12,328	
	048728 05-PU-00	10.553	1,956		1,956	
Total School Breakfast Program			14,284		14,284	
National School Lunch Program	048728 LL-P1-01	10.555	131,314		131,314	
	048728 LL-P1-00	10.555	22,503		22,503	
	048728 LL-P4-01	10.555	93,746		93,746	
	048728 LL-P4-00	10.555	16,878		16,878	
Total National School Lunch Program			264,441		264,441	
Total U.S. Department of Agriculture - Nutrition Cluster			278,725	84,778	278,725	94,750
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	048728 C1-S1 01	84.010	192,823		169,129	
	048728 C1-S1 00	84.010			28,369	
Total Title I Grants to Local Educational Agencies			192,823		197,498	
Special Education Cluster:						
Title VI-B	048728 6B-SF 01	84.027	248,755		225,006	
	048728 6B-SF 00	84.027			17,082	
Total Title VI-B			248,755		242,088	
Special Education - Preschool Grant	048728 PG-S1 00	84.173	3,708		3,708	
Total Special Education Cluster			252,463		245,796	
Innovative Educational Program	048728 C2-S1 01	84.298	29,402		27,542	
	048728 C2-S1 00	84.298			5,768	
Total Innovative Education			29,402		33,310	
Eisenhower Math/Science Subsidy	048728 MS-S1 01	84.281	17,819		15,681	
	048728 MS-S1 00	84.281			677	
Total Eisenhower Math/Science Subsidy			17,819		16,358	
Drug Free Schools Grant	048728 DR-S1 01	84.186	24,636		20,967	
	048728 DR-S1 00	84.186			3,227	
Total Drug Free Schools			24,636		24,194	
Class Size Reductions	048728 CR-S1 01	84.340	65,468		59,191	
	048728 CR-S1 00	84.340			5,463	
Total Class Size Reductions			65,468		64,654	
Tech Literacy Challenge	048728 TF-VM 99P	84.318	4,425		4,560	
Total U.S. Department of Education			587,036		586,370	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	(A)	93.778	7,458		7,458	
Total U.S. Department of Health and Human Services			7,458		7,458	
<b>Totals</b>			<u>\$873,219</u>	<u>\$84,778</u>	<u>\$872,553</u>	<u>\$94,750</u>

(A) Project Number Not Applicable or Unknown

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

**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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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](http://www.auditor.state.oh.us)

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

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

To the Board of Education:

We have audited the financial statements of Northmont City School District (the District), Montgomery County, as of and for the year ended June 30, 2001, and have issued our report thereon dated January 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 January 22, 2002.

**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.

Northmont City School District  
Montgomery County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, 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

January 22, 2002



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Northmont City School District (the District), Montgomery County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. 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 auditing standards generally accepted in the United States of America; 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.

**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.

**Internal Control Over Compliance  
(Continued)**

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

This report is intended for the information and use of the audit committee, 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

January 22, 2002



**NORTHMONT CITY SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**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  
OFFICE OF THE AUDITOR  

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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

**NORTHMONT CITY SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 5, 2002**