



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying basic financial statements of the Northeastern Local School District, Clark County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Northeastern Local School District, Clark County, as of June 30, 2001, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statement 34 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The 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 also not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Jim Petro**  
Auditor of State

March 29, 2002

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The discussion and analysis of Northeastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2001 are as follows:

In total, net assets increased \$176,884, which represents a 1.9 percent increase from 2000.

General revenues accounted for \$19,767,376 in revenue or 87.94 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,709,991 or 12.06 percent of total revenues of \$22,477,367.

Total assets of governmental activities increased by \$8,682 as cash and cash equivalents decreased by \$2,251,191, receivables increased by \$1,517,306 and capital assets increased by \$758,743.

The governmental activities of the School District had \$22,300,483 in expenses; only \$2,709,991 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19,767,376 were adequate to provide for these programs.

Among major funds, the General Fund had \$18,851,418 in revenues and \$19,559,672 in expenditures. The General Fund's balance decreased \$719,692 over 2000. This decrease was anticipated by the Board of Education. The School District attributes this decrease to the special termination benefit amounts paid during 2001, the self-funded prescription drug plan, the first year for the new negotiated agreements, and a decrease in tax revenues. The Board has since combined their prescription drug plan with their health care coverage.

**Using this General Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northeastern Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Northeastern Local School District, the General Fund is by far the most significant fund.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2001?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

**Governmental Funds**

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Fund**

Proprietary funds use the same basis of accounting as business-type activities. The internal service fund is used to report activities that provide services to the School District's other funds and departments.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2001 compared to 2000.

Table 1  
Net Assets

	2000	2001
<b>Assets</b>		
Current and Other Assets	\$15,238,714	\$14,488,653
Capital Assets	14,602,963	15,361,706
Total Assets	<u>29,841,677</u>	<u>29,850,359</u>
<b>Liabilities</b>		
Long-Term Liabilities	6,162,488	6,121,003
Other Liabilities	14,349,941	14,223,224
Total Liabilities	<u>20,512,429</u>	<u>20,344,227</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	6,757,963	9,026,706
Restricted	0	829,720
Unrestricted	2,571,285	(350,294)
Total Net Assets	<u>\$9,329,248</u>	<u>\$9,506,132</u>

Total assets increased \$8,682. Cash and cash equivalents decreased by \$2,251,191, receivables increased by \$1,517,306 and capital assets increased by \$758,743. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$2,921,579 due to the loss of tax revenue and the first year of the new negotiated agreements.

Table 2 shows the changes in net assets for fiscal year 2001. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2000 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

Table 2  
Changes in Net Assets

	2001
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$1,598,352
Operating Grants and Contributions	938,094
Capital Grants and Contributions	173,545
General Revenues:	
Property Taxes	9,545,570
Grants and Entitlements	9,976,218
Other	245,588
Total Revenues	22,477,367
 <b>Program Expenses</b>	
Instruction	12,141,605
Support Services:	
Pupils and Instructional Staff	2,252,889
Board of Education, Administration, and Fiscal	2,459,768
Operation and Maintenance of Plant	1,976,557
Pupil Transportation	1,198,622
Operation of Non-Instructional Services	1,298,144
Extracurricular Activities	570,162
Interest and Fiscal Charges	402,736
Total Expenses	22,300,483
Increase in Net Assets	\$176,884

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 42 percent of revenues for governmental activities for the Northeastern Local School District for fiscal year 2001.

The School District voters passed a four-year permanent improvement levy in March of 2000 for collection 2001 through 2004. This levy at 4.0 mills generates approximately \$1,436,000 in property tax revenue per year. The School District issued tax anticipation notes in order to replace the roofs at Northeastern High School, Northridge Elementary/Middle School and South Vienna Elementary/Middle School. Currently, there is a \$1,400,000 note outstanding that will mature in May, 2002. Upon repayment, the remaining revenue will be used for safety concerns, bus purchases, room additions and other equipment purchases.

Instruction comprises 54 percent of district expenses. Support services expenses make up 35 percent of the expenses.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2000 have not been made because they are not available.

Table 3

	Total Cost of Services 2001	Net Cost of Services 2001
Instruction	\$12,141,605	\$11,006,037
Support Services:		
Pupils and Instructional Staff	2,252,889	2,149,164
Board of Education, Administration, and Fiscal	2,459,768	2,440,958
Operation and Maintenance of Plant	1,976,557	1,955,274
Pupil Transportation	1,198,622	1,141,600
Operation of Non-Instructional Services	1,298,144	101,140
Extracurricular Activities	570,162	393,583
Interest and Fiscal Charges	402,736	402,736
Total Expenses	<u>\$22,300,483</u>	<u>\$19,590,492</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instruction services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Over 91 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 88 percent. The community, as a whole, is the primary support for the Northeastern Local School District.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,305,501 and expenditures of \$23,056,325. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$719,692. This decrease was anticipated by the Board of Education. The School District attributes this decrease to the special termination benefit amounts paid during 2001, the self-funded prescription drug plan, the first year for the new negotiated agreements, and a decrease in tax revenues. The Board has since combined their prescription drug plan with their health care coverage. As previously discussed, the School District received voter approval for a 4 mill permanent improvement levy in March of 2000. This levy which started collection in 2001 will be received through 2004, and will allow the District to make some needed permanent improvements without putting a strain on the General Fund.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2001 fiscal year, the School District amended its General Fund budget several times, which resulted in appropriations increasing \$221,256, a 1% increase. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year and passed appropriations to match expenditures plus encumbrances.

Salary costs proved to be slightly higher than anticipated in the original budget. As anticipated, two administrative positions along with two secretarial positions were added to the staff. This was done in order to break Northridge Elementary/Middle School and South Vienna Elementary/Middle School into two distinctly separate Elementary and Middle School sections.

For the General Fund, budget basis revenue and other financing sources was \$19,555,212, \$10,816 above the original budgeted estimates of \$19,544,396. This difference was due primarily to higher state revenue than anticipated because of increased enrollment. The District feels it is best to be conservative when projecting enrollment increases due to their volatility.

**Capital Assets**

At the end of the 2001 fiscal year, the School District had \$15,361,706 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2001 balances compared to 2000.

Table 4  
Capital Assets (Net of Depreciation) at June 30,

	<u>2000</u>	<u>2001</u>
Land	\$268,349	\$268,349
Land Improvement	173,732	170,693
Buildings and Improvements	11,158,447	12,612,904
Furniture and Equipment	1,660,610	1,509,722
Vehicles	595,662	800,038
Construction in Progress	746,163	0
Total Expenses	\$14,602,963	\$15,361,706

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

Overall capital assets increased \$758,743 from fiscal year 2000 to fiscal year 2001. Increases in capital assets (primarily buildings and improvements, equipment and vehicles) were offset by depreciation expense for the year.

As was discussed previously, the District finished the installation of new roofs on three of its five school buildings in fiscal year 2001.

**Debt Administration**

At June 30, 2001, the School District had a bond issue of \$4,935,000 outstanding. It was originally passed in 1995 for \$5,300,000 for 23 years. Also outstanding at June 30, 2001 was a \$1,400,000 tax anticipation note drawn on the Permanent Improvement Levy. As stated before, it was used to roof three of our five buildings.

Table 5  
Outstanding Debt at June 30,

	2000	2001
2000/2001 Permanent Improvement Fund Tax Anticipation Note	\$2,800,000	\$1,400,000
1996 Building Issue	5,045,000	4,935,000
<b>Total Debt</b>	<b>\$7,845,000</b>	<b>\$6,335,000</b>

At June 30, 2001, the School District's overall legal debt margin was \$27,848,867.

**Current Financial Issues and Concerns**

Although the fund balance in the general fund declined this year by over \$700,000, the Northeastern Local School District is closely monitoring this situation and believes the District will remain financially stable. The School District is proud of its community support of the public schools. To cope with the large student population, the Northridge and South Vienna facilities were broken down into separate K-5 and 6-8 buildings. This required the addition of two administrators, two secretaries and some additional guidance counseling time. Some vocal music instruction time was also added at Northridge. As our special education population increases across the District, teachers and aides have been added to meet the special needs of the students.

We are currently overcrowded in the majority of our buildings. Therefore, the board and administration have recommended and requested passage of a bond issue to build two new middle schools. It was first placed on the ballot in November, 2000. It failed at that time. It has been placed on the ballot twice since and has failed both times. The board and administration feel that this is not an indication of voter disapproval, but more a barometer of the economy and the fact that the voters just passed the 4-mill Permanent Improvement levy in March. Another concern is voter discontent with the continuing issue of how the State of Ohio funds education.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system of school funding, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public school in the State of Ohio. An over-reliance on property taxes was also cited by the Supreme Court.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

In comparison to other school districts in the state, the Northeastern Local School District would not be considered a School District suffering with low wealth. Therefore, the Northeastern Local School District has not anticipated any meaningful growth in State revenue other than from increased enrollment. There is a concern that, to meet the requirements of the court, the State may require a redistribution of commercial and industrial property tax. Approximately 10 percent of the School District's wealth is generated from business and industry.

Therefore, redistribution of this 10 percent to other districts could have a significant negative impact on the School District's residential taxpayers. Once again, this is at a time when the Ohio Supreme Court has already stated that there is an over-reliance on property taxes in the State of Ohio.

Yet another pitfall of not being considered a low wealth district is the distribution of a lower percentage of funds from the Ohio School Facilities' Commission (OSFC). Our neighboring city district will be receiving approximately 88 percent of the cost of replacing almost all their school buildings from the State merely by raising the other 12 percent locally. The Northeastern Local School District only qualifies for State funding of 32 percent while having to raise the remaining 68 percent of the master plan locally to qualify for state OSFC funding. This is another aspect of state funding that is confusing to the district voters and contributes to complicating the efforts of passing a bond issue.

The Northeastern Local School District has been working with the OSFC and the construction of two new middle schools falls within the confines of the OSFC's master plan.

In conclusion, the Northeastern Local School District has committed itself to financial excellence for many years. The School District's system of financial planning, budgeting, and internal financial controls are highly regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Denise D. Schneider, Chief Fiscal Officer at Northeastern Local School District, 1414 Bowman Road, Springfield, Ohio 45502 or email at [ne\\_tres@mveca.org](mailto:ne_tres@mveca.org).

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2001**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,021,430
Cash and Cash Equivalents In Segregated Accounts	4,000
Accounts Receivable	79,562
Intergovernmental Receivable	121,939
Accrued Interest Receivable	1,621
Cash and Cash Equivalents With Fiscal Agents	11,763
Prepaid Items	23,082
Materials and Supplies Inventory	87,985
Taxes Receivable	11,127,271
Receivable for Payments in Lieu of Taxes	10,000
Nondepreciable Capital Assets	268,349
Depreciable Capital Assets, net	<u>15,093,357</u>
 Total Assets	 <u>29,850,359</u>
 <b>Liabilities and Fund Balances</b>	
<b>Liabilities:</b>	
Accounts Payable	224,044
Claims Payable	36,073
Accrued Wages	1,827,606
Intergovernmental Payable	584,225
Matured Compensated Absences Payable	53,928
Matured Special Termination Benefit Payable	382,632
Judgments Payable	28,059
Deferred Revenue	9,643,259
Matured Bonds Payable	10,000
Matured Interest Payable	1,763
Accrued Interest Payable	31,635
Notes Payable	1,400,000
Long-Term Liabilities:	
Due Within One Year	230,200
Due In More Than One Year	<u>5,890,803</u>
 Total Liabilities	 <u>20,344,227</u>
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	9,026,706
Restricted for:	
Debt Service	431,244
Other Purposes	398,476
Unrestricted (Deficit)	<u>(350,294)</u>
 Total Net Assets	 <u><u>\$9,506,132</u></u>

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Program Revenues</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
<b>Governmental Activities:</b>			
Instruction:			
Regular	\$9,627,349	\$545,222	\$171,954
Special	1,975,746	41	244,806
Vocational	474,669		
Other	63,841		
Support Services:			
Pupil	1,169,394		21,587
Instructional Staff	1,083,495	2,264	79,874
Board of Education	51,643		
Administration	1,876,822		18,747
Fiscal	531,303		63
Operation and Maintenance of Plant	1,976,557	3,212	18,071
Pupil Transportation	1,198,622		57,022
Operation of Non-Instructional Services	1,298,144	893,314	303,690
Extracurricular Activities	570,162	154,299	22,280
Interest and Fiscal Charges	402,736		
<b>Total Governmental Activities</b>	<b>\$22,300,483</b>	<b>\$1,598,352</b>	<b>\$938,094</b>

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Debt Service

    Capital Outlay

Grants and Entitlements not Restricted to

    Specific Programs

Payments in Lieu of Taxes

Contributions not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

*See accompanying notes to the basic financial statements.*

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$173,545	(\$8,736,628)
	(1,730,899)
	(474,669)
	(63,841)
	(1,147,807)
	(1,001,357)
	(51,643)
	(1,858,075)
	(531,240)
	(1,955,274)
	(1,141,600)
	(101,140)
	(393,583)
	(402,736)
<u>\$173,545</u>	<u>(19,590,492)</u>
	8,378,732
	444,487
	722,351
	9,976,218
	10,000
	2,500
	221,516
	<u>11,572</u>
	<u>19,767,376</u>
	176,884
	<u>9,329,248</u>
	<u>\$9,506,132</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2001**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,518,944	\$210,154	\$1,073,281	\$2,802,379
Cash and Cash Equivalents:				
In Segregated Accounts			4,000	4,000
With Fiscal Agents			11,763	11,763
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	112,382			112,382
Receivables:				
Taxes	9,330,407	1,306,183	490,681	11,127,271
Accounts	76,525		3,037	79,562
Intergovernmental	112,165		9,774	121,939
Accrued Interest	1,621			1,621
Prepaid Items	23,082			23,082
Materials and Supplies Inventory	61,996		15,216	77,212
Receivable for Payments in Lieu of Taxes	10,000			10,000
Total Assets	<u>11,247,122</u>	<u>1,516,337</u>	<u>1,607,752</u>	<u>14,371,211</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	147,792		76,252	224,044
Accrued Wages	1,731,985		95,621	1,827,606
Matured Compensated Absences Payable	51,964		1,964	53,928
Matured Special Termination Benefit Payable	382,632			382,632
Intergovernmental Payable	350,686		18,522	369,208
Deferred Revenue	8,370,819	1,209,514	464,710	10,045,043
Matured Bonds Payable			10,000	10,000
Matured Interest Payable			1,763	1,763
Accrued Interest Payable		8,532		8,532
Notes Payable		1,400,000		1,400,000
Judgments Payable	28,059			28,059
Total Liabilities	<u>11,063,937</u>	<u>2,618,046</u>	<u>668,832</u>	<u>14,350,815</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	226,809	71,421	168,804	467,034
Reserved for Textbooks and Instructional Materials	40,200			40,200
Reserved for Material and Supplies Inventory	61,996		15,216	77,212
Reserved for Property Taxes	970,553	96,669	36,306	1,103,528
Reserved for Budget Stabilization	72,182			72,182
Unreserved:				
Designated for:				
Budget Stabilization	243,646			243,646
Undesignated, Reported in:				
General Fund (Deficit)	(1,432,201)			(1,432,201)
Special Revenue Funds			280,897	280,897
Debt Service Fund			382,420	382,420
Capital Projects Funds (Deficit)		(1,269,799)	55,277	(1,214,522)
Total Fund Balances (Deficit)	<u>183,185</u>	<u>(1,101,709)</u>	<u>938,920</u>	<u>20,396</u>
Total Liabilities and Fund Balances	<u>\$11,247,122</u>	<u>\$1,516,337</u>	<u>\$1,607,752</u>	<u>\$14,371,211</u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2001**

Total Governmental Fund Balances		\$20,396
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$268,349	
Construction in progress		
Depreciable capital assets	27,564,880	
Accumulated depreciation	<u>(12,471,523)</u>	
Total capital assets		15,361,706
<p>An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.</p>		
		70,596
<p>Other long-term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:</p>		
Property Taxes	380,484	
Receivable in Lieu of Taxes	5,000	
Grants	9,774	
Accounts Receivable	5,818	
Interest Revenue	<u>708</u>	
		401,784
<p>Federal donated commodities are not reported in the funds.</p>		
		10,773
<p>Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.</p>		
		(215,017)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Bonds and notes payable	(4,935,000)	
Accrued interest on bonds	(23,103)	
Compensated absences	<u>(1,186,003)</u>	
Total liabilities		<u>(6,144,106)</u>
Net Assets of Governmental Activities		<u><u>\$9,506,132</u></u>

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$8,303,154	\$689,021	\$442,623	\$9,434,798
Intergovernmental	9,909,832	71,555	1,005,603	10,986,990
Interest	146,382	74,426	7,952	228,760
Tuition and Fees	468,539			468,539
Extracurricular Activities			206,417	206,417
Payment in Lieu of Taxes	10,000			10,000
Rent	9,320			9,320
Charges for Services			893,314	893,314
Contributions and Donations	2,500		38,347	40,847
Miscellaneous	1,691		24,825	26,516
<b>Total Revenues</b>	<u>18,851,418</u>	<u>835,002</u>	<u>2,619,081</u>	<u>22,305,501</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,113,359		322,098	9,435,457
Special	1,708,352		229,797	1,938,149
Vocational	463,135			463,135
Other	63,841			63,841
Support Services:				
Pupil	1,127,926		25,132	1,153,058
Instructional Staff	899,749		108,499	1,008,248
Board of Education	51,643			51,643
Administration	1,834,882	112	16,096	1,851,090
Fiscal	509,445	10,326	8,206	527,977
Operation and Maintenance of Plant	1,955,787		14,429	1,970,216
Pupil Transportation	1,395,123			1,395,123
Operation of Non-Instructional Services	11		1,199,533	1,199,544
Extracurricular Activities	381,004		180,829	561,833
Principal Retirement			110,000	110,000
Interest and Fiscal Charges		122,753	280,533	403,286
<b>Total Expenditures</b>	<u>19,559,672</u>	<u>1,001,501</u>	<u>2,495,152</u>	<u>23,056,325</u>
<b>Net Change in Fund Balance</b>	(708,254)	(166,499)	123,929	(750,824)
<b>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</b>	902,877	(935,210)	823,428	791,095
<b>Decrease in Reserve for Inventory</b>	(11,438)		(8,437)	(19,875)
<b>Fund Balances (Deficit) End of Year</b>	<u>\$183,185</u>	<u>(\$1,101,709)</u>	<u>\$938,920</u>	<u>\$20,396</u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Net Change in Fund Balances - Total Governmental Funds (\$750,824)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Fixed Asset Additions	\$1,285,648	
Current Year Depreciation	(462,931)	
Loss on Disposal of Fixed Assets	<u>(63,974)</u>	
		758,743

In the statement of activities the loss on the disposal of fixed assets is reported.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	110,772	
Grants	5,932	
Tuition and Fees	5,257	
Interest Revenue	708	
Miscellaneous Revenue	<u>561</u>	
		123,230

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond principal retirement		110,000
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In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

550

Donated commodities received (\$46,047) and used (\$48,636) are not recognized in the funds.

(2,589)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(68,515)	
Intergovernmental Payable	(7,280)	
Change in Inventory	<u>(19,875)</u>	
Total additional expenditures		(95,670)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities.

The net revenue of the internal service fund is reported with governmental activities.

33,444

Change in Net Assets of Governmental Activities

\$176,884

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Under (Over)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$9,363,324	\$9,104,015	\$9,104,015	
Intergovernmental	9,617,263	9,865,770	9,865,770	
Interest	144,933	144,933	144,933	
Tuition and Fees	217,115	360,875	360,875	
Payment in Lieu of Taxes	5,000	5,000	5,000	
Rent	9,320	9,320	9,320	
Contributions and Donations		2,500	2,500	
Miscellaneous	22,441	18,331	18,331	
<b>Total Revenues</b>	<u>19,379,396</u>	<u>19,510,744</u>	<u>19,510,744</u>	
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,112,610	9,302,366	9,302,366	
Special	1,726,624	1,718,677	1,718,677	
Vocational	422,039	436,462	436,462	
Other	89,503	68,517	68,517	
Support Services:				
Pupils	1,036,131	1,150,913	1,150,913	
Instructional Staff	962,349	934,682	934,682	
Board of Education	53,026	55,649	55,649	
Administration	2,074,829	1,862,824	1,862,824	
Fiscal	528,860	517,713	517,713	
Operation and Maintenance of Plant	1,974,773	1,983,198	1,983,198	
Pupil Transportation	1,177,523	1,468,018	1,468,018	
Operation of Non-Instructional Services		11	11	
Extracurricular Activities	412,820	380,871	380,871	
Capital Outlay	72,770	90,212	90,212	
<b>Total Expenditures</b>	<u>19,643,857</u>	<u>19,970,113</u>	<u>19,970,113</u>	
Excess of Revenues Under Expenditures	<u>(264,461)</u>	<u>(459,369)</u>	<u>(459,369)</u>	
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditure	5,000	44,468	44,468	
Operating Transfers - In	160,000			
Operating Transfers - Out	<u>(105,000)</u>			
<b>Total Other Financing Sources (Uses)</b>	<u>60,000</u>	<u>44,468</u>	<u>44,468</u>	
Excess of Revenues and Other Financing Sources Under Expenditures And Other Financing Uses	<u>(204,461)</u>	<u>(414,901)</u>	<u>(414,901)</u>	
Fund Balances at Beginning of Year	1,459,103	1,459,103	1,459,103	
Prior Year Encumbrances Appropriated	<u>230,022</u>	<u>230,022</u>	<u>230,022</u>	
<b>Fund Balances at End of Year</b>	<u><u>\$1,484,664</u></u>	<u><u>\$1,274,224</u></u>	<u><u>\$1,274,224</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF FUND NET ASSETS  
PROPREITARY FUND  
JUNE 30, 2001**

	<b>Governmental Activities: Internal Service Fund</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$106,669
<b>Liabilities:</b>	
Claims Payable	<u>36,073</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$70,596</u></u>

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Governmental Activities: Internal Service Fund</b>
<b>Operating Revenues:</b>	
Charges for Services	\$454,920
<b>Operating Expenses:</b>	
Claims	<u>421,476</u>
Change in Net Assets	33,444
Net Assets Beginning of Year	<u>37,152</u>
Net Assets End of Year	<u><u>\$70,596</u></u>

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

	<b>Governmental Activities: Internal Service Fund</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$454,920
Cash Payments for Claims	<u>(407,618)</u>
Net Cash Provided by Operating Activities	47,302
Cash and Cash Equivalents Beginning of Year	<u>59,367</u>
Cash and Cash Equivalents End of Year	<u><u>\$106,669</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$33,444
Adjustments:	
Increase in Claims Payable	<u>13,858</u>
Net Cash Provided by Operating Activities	<u><u>\$47,302</u></u>

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2001**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,178	\$80,525
Investments		
In Segregated Accounts	10,000	
Receivables:		
Accrued Interest	41	
<i>Total Assets</i>	14,219	\$80,525
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Due to Students		\$80,525
<b>Net Assets</b>		
Held in Trust for Scholarships	\$14,219	

*See accompanying notes to the basic financial statements.*

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions</b>	
Contributions	\$3,651
Interest	552
Total Additions	4,203
<b>Deductions</b>	
Other	475
Change in Net Assets	3,728
Net Assets Beginning of Year	10,491
Net Assets End of Year	\$14,219

*See accompanying notes to the basic financial statements.*

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**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

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

The School District was established in 1916 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 135 square miles. It is located in Clark County, and includes the Villages of South Vienna and Catawba, and the Townships of Moorefield, Pleasant, and Harmony.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-wide Financial Statements:**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements:**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE BASIC 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.

**Permanent Improvement Capital Projects Fund**

The permanent improvement capital projects fund accounts for a property tax levy to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the private purpose trust fund.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Proprietary Fund:**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

**Internal Service Fund**

The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The only internal service fund of the School District accounts for its self-insured prescription drug plan.

**3. Fiduciary Fund Types:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes student activities which consists of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

**1. Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. Revenues - Exchange and Non-exchange Transactions:**

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 School District, available means expected to be received within sixty days of fiscal year-end.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

Nonexchange transactions, in which the School 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 (See Note 7). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

**2. Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

**E. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Prior to fiscal year-end, the School District requested an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year. Prior to fiscal year-end, the School District passed an amended appropriation resolution which matched appropriations to expenditures plus encumbrances.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all 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. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits. The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2001, investments were limited to certificates of deposit, which are reported at cost.

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 \$146,382, which includes \$66,925 assigned from other School District funds.

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

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside to create a reserve for budget stabilization and for the purchase of textbooks and instructional materials. See Note 17 for additional information regarding set asides.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**J. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital 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 one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	10-99 years
Buildings and Improvements	50-100 years
Furniture and Equipment	5-50 years
Vehicles	20 years

**K. Compensated Absences**

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees will be paid.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables from the proprietary fund are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

**O. Fund Balance Reserves**

The School District reserves those portions of fund balance 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, textbooks and instructional materials, 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 not required to be set-aside to protect against cyclical changes in revenues and expenditures. This reserve consists exclusively of monies received by the School District from the Bureau of Workers' Compensation up to April 10, 2001.

**P. Fund Designations**

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School district's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The designations represent monies set-aside for budget stabilization, as approved by the Board.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2001.

**S. Estimates**

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

**A. Changes in Accounting Principles:**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2000, there was no effect on fund balance as a result of implementing GASB Statements 33, 36, 37, and 38.

GASB 34 creates new basic financial statements reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements combines the governmental activities into one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2000, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

**B. Restatement of Fund Balances/Retained Earnings:**

During fiscal year 2001, the food service and latchkey enterprise funds were reclassified to special revenue funds and are considered nonmajor funds under the guidelines of GASB Statement No. 34. This restatement had the following effect on fund balance of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES  
(Continued)**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balance June 30, 2000	\$1,425,578	(\$935,210)	\$740,970	\$1,231,338
Interpretation 6 Adjustments:				
Compensated Absences	(522,701)	0	0	(522,701)
GASB 34 Adjustment:				
Fund Type Reclassification	<u>0</u>	<u>0</u>	<u>82,458</u>	<u>82,458</u>
Adjusted Fund Balance June 30, 2000	<u>\$902,877</u>	<u>(\$935,210)</u>	<u>\$823,428</u>	791,095
GASB 34 Adjustments:				
Donated Commodities				13,362
Capital Assets				14,602,963
Internal Service Fund				37,152
Long-Term Liabilities				
Compensated Absences Payable				(1,117,488)
General Obligation Bonds				(5,045,000)
Accrued Interest Payable				(23,653)
Intergovernmental Payable				(207,737)
Long-Term (Deferred) Assets				<u>278,554</u>
Government Activities Net Assets June 30, 2000				<u>\$9,329,248</u>

Restatements for the fund type reclassifications mentioned above had the following effect on retained earnings of the School District as it was previously reported.

	<u>Enterprise</u>
Retained Earnings June 30, 2000	\$81,070
GASB 34	
Fund Type Reclassification	<u>(81,070)</u>
Restated Retained Earnings June 30, 2000	<u>\$ 0</u>

**4. FUND DEFICITS**

The title I and class size reduction special revenue funds and the permanent improvement capital projects fund had deficit fund balances at June 30, 2001, of \$1,141, \$54, and \$1,101,709, respectively. The general fund is liable for deficits in these funds and will provide operating transfers when cash is required, not when accruals occur. The deficit in the permanent improvement capital projects fund will be eliminated when the tax anticipation note is retired.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is 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 as follows:

- a. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
- c. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance
GAAP Basis	(\$708,254)
Net Adjustment for Revenue Accruals	702,911
Net Adjustment for Expenditure Accruals	(55,511)
Unrecorded Cash	883
Prepays	1,289
Adjustment for Encumbrances	<u>(356,219)</u>
Budget Basis	<u>(\$414,901)</u>

**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies 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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of 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 monies deposited with the institution.

Interim monies are to 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. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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, corporate 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 it will be held to maturity.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

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

**A. Cash on Hand:**

At year end, the School District had \$2,574 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

**B. Deposits:**

At year-end, the carrying amount of the School District's deposits was \$3,129,322 and the bank balance was \$3,520,885. \$111,763 of the bank balance was covered by federal depository insurance and \$3,409,122 considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District did not have any investments at June 30, 2001.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement 9	\$3,121,896	\$10,000
Cash on Hand	(2,574)	0
Investments:		
Certificates of Deposit	10,000	(10,000)
GASB Statement 3	<u>\$3,129,322</u>	<u>\$0</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**7. 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.

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 with 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which the 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	\$286,257,140	80.69%	\$294,898,660	82.00%
Public Utility Personal	19,849,600	5.60	18,179,480	5.06
Tangible Personal Property	48,649,315	13.71	46,534,539	12.94
<b>Total</b>	<b><u>\$354,756,055</u></b>	<b><u>100.00%</u></b>	<b><u>\$359,612,679</u></b>	<b><u>100.00%</u></b>
Tax Rate per \$1,000 of Assessed Valuation	\$41.64		\$45.64	

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**7. PROPERTY TAXES (Continued)**

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 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.

The School District voters passed a four-year permanent improvement levy in March of 2000 for collection 2001 through 2004. This levy at 4.0 mills generates approximately \$1,436,000 in property tax revenue per year.

Accrued property taxes receivable represent delinquent taxes outstanding, and real property, personal property and public utility taxes which are measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. At June 30, 2001, \$970,553 was available as an advance to the general fund, \$96,669 in the permanent improvement fund and \$36,306 in the non-major governmental funds.

**8. RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants and interest. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Transportation Costs	\$13,951
State Bus Purchase Program	98,214
Title VI Grant	<u>9,774</u>
Total Intergovernmental Receivables	<u>\$121,939</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	<b>Restated Balance 6/30/00</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/01</b>
<b>Governmental Activities</b>				
<b>Capital Asset, not being depreciated:</b>				
Land	\$268,349	\$0	\$0	\$268,349
Construction in Progress	<u>746,163</u>	<u>0</u>	<u>(746,163)</u>	<u>0</u>
<i>Total Capital Assets, not being depreciated</i>	<u>1,014,512</u>	<u>0</u>	<u>(746,163)</u>	<u>268,349</u>
<b>Capital Assets, being depreciated:</b>				
Land Improvements	536,413	1,051	0	537,464
Buildings and Improvements	21,032,020	1,661,641	(4,553)	22,689,108
Furniture and Equipment	2,900,254	91,100	(121,827)	2,869,527
Vehicles	<u>1,365,799</u>	<u>278,019</u>	<u>(175,037)</u>	<u>1,468,781</u>
<i>Total Capital Assets, being depreciated</i>	<u>25,834,486</u>	<u>2,031,811</u>	<u>(301,417)</u>	<u>27,564,880</u>
Less Accumulated Depreciation:				
Land Improvements	(362,681)	(4,090)	0	(366,771)
Buildings and Improvements	(9,873,573)	(202,854)	223	(10,076,204)
Furniture and Equipment	(1,239,644)	(192,226)	72,065	(1,359,805)
Vehicles	<u>(770,137)</u>	<u>(63,761)</u>	<u>165,155</u>	<u>(668,743)</u>
Total Accumulated Depreciation	<u>(12,246,035)</u>	<u>(462,931)</u>	<u>237,443</u>	<u>(12,471,523)</u>
Total Capital Assets being depreciated, net	<u>13,588,451</u>	<u>1,568,880</u>	<u>(63,974)</u>	<u>15,093,357</u>
Governmental Activities Capital Assets, Net	<u>\$14,602,963</u>	<u>\$1,568,880</u>	<u>(\$810,137)</u>	<u>\$15,361,706</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$199,852
Special	22,234
Vocational	11,346
Support Services:	
Pupil	12,885
Instructional Staff	65,102
Administration	27,396
Fiscal	1,764
Operation and Maintenance of Plant	8,168
Pupil Transportation	64,068
Operation of Non-Instructional Services	24,462
Extracurricular Activities	<u>25,654</u>
Total Depreciation Expense	<u>\$462,931</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide, Utica, Elkins, OliviaMeece, and Wausau Insurance for property and fleet insurance, liability insurance, crime, and automobile coverage. Coverage provided by these insurance companies is as follows:

Building and Contents-replacement cost	\$44,479,600
Boiler and Machinery	13,490,200
Crime Insurance	10,000
Automobile Liability (\$0 deductible)	2,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000

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

**B. Self Insurance**

The School District has established a self-funded prescription drug plan. The activity of this plan is recorded in an internal service fund to account for and finance its uninsured risks of loss in this plan. The School District covers all costs associated with claims, including an administrative fee to the third party administrator. The third party administrator, Ameriscript, reviews all claims which the School District then pays.

The School District pays into the prescription drug internal service fund a premium for each employee based upon single or family coverage. The claims liability of \$36,073 reported in the fund at June 30, 2001, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonable estimated. Estimates were calculated by using actual claims reports for several months following the balance sheet date. This estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability for the past two years were:

	Balance at July 1	Current Year Claims	Claim Payments	Balance at June 30,
2000	\$0	\$29,975	\$7,760	\$22,215
2001	22,215	421,476	407,618	36,073

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**10. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation**

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

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System 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 Northeastern Local 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 cover health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's 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 \$120,577, \$123,914, and \$220,563, respectively; 38.10 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$74,642 represents the unpaid contribution for fiscal year 2001.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

**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.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. Northeastern Local School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,064,412, \$572,100, and \$508,243, respectively; 84.55 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$164,448 represents the unpaid contribution for fiscal year 2001.

**12. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefits recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$504,195 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000 (the latest information available). 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, 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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**12. 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 9.8 percent of covered payroll, an increase of 1.3 percent from 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$330,492.

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 (the latest information available), were \$140,696,340 and the target level was \$211 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.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, unused sick leave up to the maximum of 225 days. Administrators retiring in fiscal year 2001 were eligible to receive payment of 40 percent of accrued, unused sick leave up to the maximum of 225 days.

**B. Insurance Benefits**

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

**C. Special Termination Benefit**

The School District offered a special termination benefit plan during fiscal year 2001. To participate in the plan, an employee must opt for this program the first time they are eligible to retire with 30 years of experience, or the first year eligible according to STRS. The special termination benefit amount is \$20,000, payable over the next three years after retirement in three equal payments beginning on June 1, 2002, and ending June 1, 2004. For the School District, the liability as of June 30, 2001 is \$382,632.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**14. SHORT-TERM OBLIGATIONS**

During fiscal year 2001, the School District rolled over the \$2,800,000 Tax Anticipation Note and on May 3, 2001, issued a one year, \$1,400,000 Tax Anticipation Note. This note is backed by the full faith and credit of the School District. The note liability is reflected in the permanent improvement fund, the fund which received the proceeds.

As of June 30, 2001, the School District had the following short term obligations outstanding:

	<b>Amount Outstanding June 30, 2000</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding June 30, 2001</b>
Permanent Improvement Fund:				
Tax Anticipation Note - 4.85%	\$2,800,000	\$0	\$2,800,000	\$0
Tax Anticipation Note - 3.77%	0	1,400,000	0	1,400,000
<b>Total</b>	<b>\$2,800,000</b>	<b>\$1,400,000</b>	<b>\$2,800,000</b>	<b>\$1,400,000</b>

**15. LONG-TERM OBLIGATIONS**

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

	<b>Restated Amount Outstanding June 30, 2000</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding June 30, 2001</b>	<b>Amounts Due Within One Year</b>
Governmental Activities:					
General Obligation Bonds:					
1996 Building Issue					
5.125 to 6%	\$5,045,000	\$0	\$110,000	\$4,935,000	\$120,000
Compensated Absences	1,117,488	86,912	18,397	1,186,003	110,200
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$6,162,488</u>	<u>\$86,912</u>	<u>\$128,397</u>	<u>\$6,121,003</u>	<u>\$230,200</u>

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

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$27,848,867, with an unvoted debt margin of \$359,613 at June 30, 2001.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**15. LONG-TERM OBLIGATIONS (Continued)**

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

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2002	\$120,000	\$273,632	\$393,632
2003	135,000	265,983	400,983
2004	150,000	257,432	407,432
2005	165,000	247,983	412,983
2006	180,000	237,633	417,633
2007-2011	1,200,000	1,004,988	2,204,988
2012-2016	1,770,000	596,072	2,366,072
2017-2019	1,215,000	101,705	1,316,705
Total	<u>\$4,935,000</u>	<u>\$2,985,428</u>	<u>\$7,920,428</u>

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**A. Jointly Governed Organizations**

**Miami Valley Educational Computer Association** - The School District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$32,155 for services provided during the year. Financial information can be obtained from Norma Stuart, Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**Springfield/Clark County Joint Vocational School** - The Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Mad River-Green Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District did not have any financial transactions with this organization for fiscal year 2001. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Mary Beth Kemmer, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)**

**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 School District paid \$4,450 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.

**B. Insurance Purchasing Pool**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by the 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.

**17. SET-ASIDE CALCULATIONS**

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

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**17. SET-ASIDE CALCULATIONS (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$106,524	\$ 0	\$343,777
Current Year Set-aside Requirement	461,599	461,599	0
Additional Money Set-aside	0	0	83,085
Reduction in Amount Set-aside due to Revised Legislation	0	0	(354,680)
Current Year Offsets	0	(592,352)	0
Qualifying Disbursements	<u>(527,923)</u>	<u>(2,201,286)</u>	<u>0</u>
Totals	<u>40,200</u>	<u>(2,332,039)</u>	<u>72,182</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>40,200</u>	<u>0</u>	<u>72,182</u>
Set-aside Reserve Balances as of June 30, 2001	<u>\$ 40,200</u>	<u>\$ 0</u>	<u>\$ 72,182</u>

The School District set-aside additional money in excess of statutory requirements for budget stabilization. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is not included in restricted assets

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition amounts below zero. The negative amount for capital acquisition cannot be carried over to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$112,382.

**18. 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**

A judgment against the Northeastern Local School District has been issued for not ensuring that a student received a Free, Appropriate Public Education (FAPE) under the Individuals with Disabilities Education Act (IDEA). The case has been settled and the School District has been ordered to pay \$28,059, which has been recorded as a liability in the general fund.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**19. SUBSEQUENT EVENTS**

**A. School Funding**

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 March 29, 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 reconsideration will have on its future State funding and on its financial operations.

**B. Debt Issuance**

On July 12, 2001, the School District issued \$2,700,000 in School Energy Conservation Improvement Bonds. These bonds have an interest rate of 4.6 percent and will mature in 10 years. The bond proceeds will be used for energy conservation improvements in accordance with House Bill 264.

**C. Contractual Commitments**

On July 16, 2001, the School District entered into a \$2,184,274 contract with Exelon Services, Inc. and a \$511,830 contract with Harvey & Associates, Inc. for energy conservation improvements.

**D. Self-Insurance**

On October 1, 2001, the School District terminated the prescription drug internal service fund. The School District will no longer be self-insured. Prescription drug coverage is provided in their selected health care insurance plan.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

<b>Federal Grantor Pass Through Grantor Project Title</b>	<b>Pass Through Entity Number</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through State Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$45,153		\$49,636
National School Lunch Program	LL-P1-00	10.555	\$6,744		\$6,744	
	LL-P4-00		5,743		5,743	
	LL-P1-01		50,181		50,181	
	LL-P4-01		33,536		33,536	
Total National School Lunch Program			<u>96,204</u>		<u>96,204</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>96,204</u>	<u>45,153</u>	<u>96,204</u>	<u>49,636</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education</i>						
Title I - Grants to Local Educational Agencies	C1-S1-01	84.010	53,189		51,152	
Special Education Cluster:						
Special Education - Grants to State	6B-SF-00	84.027	167,141		155,651	
Education Handicapped Pre-School Grant	PG-S1-00	84.173	14,389		14,389	
Total Special Education Cluster			<u>181,530</u>		<u>170,040</u>	
Safe & Drug Free Schools & Communities	DR-S1-01	84.186	15,748		14,281	
Eisenhower Professional Development State Grants	MS-S1-01	84.281	9,940		11,773	
	MS-S1-99		(614)			
			<u>9,326</u>		<u>11,773</u>	
Innovative Education Program Strategy	C2-S1-99	84.298	(455)		629	
	C2-S1-00		2,400		4,627	
	C2-S1-01		9,020		3,420	
Total Innovative Education Program Strategy			<u>10,965</u>		<u>8,676</u>	
Class Size Reduction	CR-S1-00	84.340			1,079	
	CR-S1-01		28,086		28,086	
Total Class Size Reduction			<u>28,086</u>		<u>29,165</u>	
Total US Department of Education			<u>298,844</u>		<u>285,087</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$395,048</b></u>	<u><b>\$45,153</b></u>	<u><b>\$381,291</b></u>	<u><b>\$49,636</b></u>

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of the Northeastern Local School District (the District) as of and for the year ended June 30, 2001, wherein we noted that the District implemented GASB Statement 34 and Interpretation 6 and have issued our report thereon dated March 29, 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 29, 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 29, 2002.

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

This report is intended for the information and use of the management, 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

March 29, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Northeastern Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to 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 each of its major federal programs 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 June 30, 2001.

**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 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

March 29, 2002

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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

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

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NORTHEASTERN LOCAL SCHOOL DISTRICT**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 9, 2002**