NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

Auditor of State
Betty Montgomery

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Northmont City School District, Montgomery County, (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northmont City School District, Montgomery County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2003 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.

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The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

February 21, 2003

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NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	$6,590,378	$671,115	$594,720	$392,658
Restricted Equity in Pooled Cash and Investments	125,804			
Receivables:				
Taxes	16,810,940		275,204	
Intergovernmental		91,063		
Interfund Receivable	60,000			
Inventory				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets & Other Debits	23,587,122	762,178	869,924	392,658
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	410,308	7,896		
Accrued Wages & Benefits	3,630,886	93,702		
Compensated Absences Payable	570,250	2,667		
Interfund Payable		25,000		
Deferred Revenue	15,525,544	1,440	251,780	
Due to Students				
General Obligation Bonds Payable				
Capital Lease Obligations				
Notes Payable				
Total Liabilities	20,136,988	130,705	251,780	
Fund Equity & Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	1,141,357	45,107		54,933
Reserved for Property Tax Advances	1,285,396		23,424	
Reserved for Set-Asides	125,804			
Unreserved & Undesignated	897,577	586,366	594,720	337,725
Total Fund Equity (Deficit) & Other Credits	3,450,134	631,473	618,144	392,658
Total Liabilities, Fund Equity & Other Credits	$23,587,122	$762,178	$869,924	$392,658

See Accompanying Notes to the General-Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$98,061	$91,917			$8,438,849
				125,804
				17,086,144
				91,063
				60,000
5,162				5,162
436,883		15,761,982		16,198,865
			618,144	618,144
			4,055,538	4,055,538
540,106	91,917	15,761,982	4,673,682	46,679,569
7,523	3,299			429,026
243,162			259,747	4,227,497
73,966			2,863,729	3,510,612
35,000				60,000
5,162				15,783,926
	88,618			88,618
			645,000	645,000
249,541			695,206	944,747
			210,000	210,000
614,354	91,917		4,673,682	25,899,426
		15,761,982		15,761,982
(74,248)				(74,248)
				1,241,397
				1,308,820
				125,804
				2,416,388
(74,248)		15,761,982		20,780,143
$540,106	$91,917	$15,761,982	$4,673,682	$46,679,569

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Taxes	$15,742,083		$266,175	$66,094	$16,074,352
Intergovernmental	19,766,049	969,992	36,729	98,189	20,870,959
Investment	191,102	1,255		11,277	203,634
Tuition & Fees	444,141	55,954			500,095
Extracurricular Activities		495,349			495,349
Miscellaneous	80,023	208,605			288,628
Total Revenues	36,223,398	1,731,155	302,904	175,560	38,433,017
Expenditures:					
Current:					
Instruction:					
Regular	18,675,496	174,882		26,461	18,876,839
Special	3,116,225	384,373			3,500,598
Vocational	301,995				301,995
Other	759,457				759,457
Support Services:					
Pupils	3,107,352	119,057			3,226,409
Instructional Staff	419,984	83,378			503,362
Board of Education	13,700				13,700
Administration	2,932,487	122,922			3,055,409
Fiscal	783,152		3,859		787,011
Business	770,047				770,047
Operation & Maintenance of Plant	2,969,434				2,969,434
Pupil Transportation	1,872,102	2,261			1,874,363
Central	356,242	14,852			371,094
Operation of Non-Instructional Services	777	168,647			169,424
Extracurricular Activities	473,436	537,657			1,011,093
Capital Outlay	792,576			43,503	836,079
Debt Service:					
Principal Retirement	131,657		335,000		466,657
Interest & Fiscal Charges	37,983		8,515		46,498
Total Expenditures	37,514,102	1,608,029	347,374	69,964	39,539,469
Excess of Revenues Over (Under) Expenditures	(1,290,704)	123,126	(44,470)	105,596	(1,106,452)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	98				98
Operating Transfers In		38,000			38,000
Operating Transfers Out	(38,000)				(38,000)
Proceeds of Capital Leases	492,593				492,593
Total Other Financing Sources (Uses)	454,691	38,000			492,691
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(836,013)	161,126	(44,470)	105,596	(613,761)
Fund Balance, Beginning of Year	4,286,147	470,347	662,614	287,062	5,706,170
Fund Balance, End of Year	$3,450,134	$631,473	$618,144	$392,658	$5,092,409

See Accompanying Notes to the General-Purpose Financial Statements.

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NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	$15,942,299	$15,942,299				
Intergovernmental	19,766,049	19,766,049		880,369	880,369	
Investment	191,102	191,102		1,255	1,255	
Tuition & Fees	446,508	446,508		46,139	46,139	
Extracurricular Activities				495,349	495,349	
Miscellaneous (A)	80,582	80,582		218,420	218,420	
Total Revenues	36,426,540	36,426,540		1,641,532	1,641,532	
Expenditures:						
Current:						
Instruction:						
Regular (B)	18,804,785	18,804,785		172,539	172,539	
Special (B)	3,179,128	3,179,128		368,986	368,986	
Vocational	298,429	298,429				
Other	861,214	861,214				
Support Services:						
Pupils	3,023,920	3,023,920		105,546	105,546	
Instructional Staff (B)	417,667	417,667		103,148	103,148	
Board of Education	93,216	93,216				
Administration	2,865,620	2,865,620		122,280	122,280	
Fiscal	810,104	810,104				
Business	769,313	769,313				
Operation & Maintenance of Plant	3,183,277	3,183,277				
Pupil Transportation	2,001,460	2,001,460		2,261	2,261	
Central	369,110	369,110		14,852	14,852	
Operation of Non-Instructional Services				189,387	189,387	
Extracurricular Activities	473,874	473,874		555,473	555,473	
Capital Outlay	675,289	675,289				
Debt Service:						
Principal Retirement	131,657	131,657				
Interest & Fiscal Charges	130,967	130,967				
Total Expenditures	38,089,030	38,089,030		1,634,472	1,634,472	
Excess (Deficiency) of Revenues Over Under Expenditures	(1,662,490)	(1,662,490)		7,060	7,060	
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	98	98				
Operating Transfers In				38,000	38,000	
Operating Transfers Out	(38,000)	(38,000)				
Advances In	60,000	60,000		75,000	75,000	
Advances Out	(75,000)	(75,000)		(60,000)	(60,000)	
Other Financing Uses	(529,064)		529,064			
Total Other Financing Sources (Uses)	(581,966)	(52,902)	529,064	53,000	53,000	
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(2,244,456)	(1,715,392)	529,064	60,060	60,060	
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	6,879,903	6,879,903		490,098	490,098	
Fund Balance, End of Year	$4,635,447	$5,164,511	$529,064	$550,158	$550,158	

See Accompanying Notes to the General-Purpose Financial Statements.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$271,225	$271,225		$89,097	$89,097		$16,302,621	$16,302,621	
36,729	36,729		98,189	98,189		20,781,336	20,781,336	
			11,277	11,277		203,634	203,634	
						492,647	492,647	
						495,349	495,349	
						299,002	299,002	
307,954	307,954		198,563	198,563		38,574,589	38,574,589	
			31,000	31,000		19,008,324	19,008,324	
						3,548,114	3,548,114	
						298,429	298,429	
						861,214	861,214	
						3,129,466	3,129,466	
						520,815	520,815	
						93,216	93,216	
						2,987,900	2,987,900	
3,859	3,859					813,963	813,963	
						769,313	769,313	
						3,183,277	3,183,277	
						2,003,721	2,003,721	
						383,962	383,962	
						189,387	189,387	
						1,029,347	1,029,347	
			98,436	98,436		773,725	773,725	
335,000	335,000					466,657	466,657	
8,515	8,515					139,482	139,482	
347,374	347,374		129,436	129,436		40,200,312	40,200,312	
(39,420)	(39,420)		69,127	69,127		(1,625,723)	(1,625,723)	
						98	98	
						38,000	38,000	
						(38,000)	(38,000)	
						135,000	135,000	
						(135,000)	(135,000)	
						(529,064)		529,064
						(528,966)	98	529,064
(39,420)	(39,420)		69,127	69,127		(2,154,689)	(1,625,625)	529,064
634,141	634,141		268,595	268,595		8,272,737	8,272,737	
$594,721	$594,721		$337,722	$337,722		$6,118,048	$6,647,112	$529,064

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETRAINED EARNINGS PROPRIETARY FUND TYPE FOR THE YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Charges for Services	$1,892,133
Miscellaneous Revenue	417,902
Total Operating Revenues	2,310,035
Operating Expenses:	
Salaries	1,290,623
Fringe Benefits	243,681
Purchased Services	105,084
Materials & Supplies	1,091,338
Depreciation	46,270
Other Operating Expenses	2,433
Total Operating Expenses	2,779,429
Operating (Loss)	(469,394)
Non-Operating Revenues(Expenses) :	
Investment Revenue	7,599
Donated Commodities	111,548
Operating Grants - State & Local	341,429
Interest Expenses	(20,722)
Total Non-Operating Revenues (Expenses)	439,854
Net (Loss)	(29,540)
Retained Earnings, Beginning of Year	(44,708)
Retained Earnings, End of Year	($74,248)

See Accompanying Notes to the General-Purpose Financial Statements.

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	$1,892,133
Cash Received from Miscellaneous Sources	417,902
Cash Payments for Personal Services	(1,448,940)
Cash Payments for Contract Services	(116,232)
Cash Payments for Supplies & Materials	(950,006)
Cash Payments for Other Expenses	(2,433)
Net Cash Provided (Used) by Operating Activities	(207,576)
Cash Flows from Non-Capital Financing Activities:	
Cash Received from Operating Grants	304,983
Cash Flows from Capital and Related Financing Activities:	
Proceed of Capital Leases	41,551
Principal Payments - Capital Leases	(78,028)
Interest Payments - Capital Leases	(20,918)
Acquisition of Capital Assets	(64,826)
Net Cash Used for Capital and Related Financing Activities	(122,221)
Cash Flows from Investing Activities:	
Investment Earnings	7,599
Net (Decrease) in Cash and Cash Equivalents	(17,215)
Cash and Cash Equivalents at Beginning of Year	115,276
Cash and Cash Equivalents at End of Year	98,061
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating (Loss)	(469,394)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	46,270
Donated Commodities Used	111,548
Changes in Assets and Liabilities:	
(Increase) Decrease in Materials & Supplies Inventory	47,559
Increase (Decrease) in Accounts Payable	(28,923)
Increase (Decrease) in Accrued Wages & Benefits	65,612
Increase (Decrease) in Compensated Absences Payable	19,752
Net Cash Provided (Used) by Operating Activities	($207,576)

See Accompanying Notes to the General-Purpose Financial Statements.

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1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Cities of Clayton, Union, and Englewood and the Village of Phillipsburg and Clay Township. The School District is the 58th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 309 non-certificated employees, 358 certificated full-time teaching personnel and 24 administrative employees who provide services to 5,806 students and other community members. The School District currently operates nine instructional buildings, one administrative building, and one service center.

A. Reporting Entity

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

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

The following activities are included within the reporting entity:

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

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

1. DESCRIPTION OF THE SCHOOL DISTRICT (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Type:

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

Enterprise Funds

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Tax Budget:

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

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

2. Estimated Resources:

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

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. Prior to year end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

3. Appropriations:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Investments

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

During fiscal year 2002, the School District's investments were limited to certificate of deposits, U.S. Treasury Money Market, repurchase agreements and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to $191,102. The Northmont Board of Education has passed a resolution to allow interest to also be recorded in the permanent improvement capital projects fund, the auxiliary services special revenue fund and the food service enterprise fund. These funds received $11,277, $1,255, and $7,599, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Assets

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

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory of governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as a expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food purchased food and non-food items held for resale and are expensed when used.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

H. Intergovernmental Revenues

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements

General Fund
School Bus Purchase Program
State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Venture Capital
Auxiliary Services
Education Management Information Systems
Public School Preschool
Title VI
Title VI-B
Title I
Drug-Free Schools
Occupation Information Systems
Professional Development Block Grant
School Security Grant
Parent Involvement Planning Grant
Title II
Vocational Education
Goals 2000 Intervention Pacesetter Grant,
Reducing Class Size
Eisenhower Math and Science
Continuous Improvement Grant
Ohio Reads Grant

Capital Projects Funds
School Net Plus
Power Up Grant
Interactive Video Distance Learning Grant

Reimbursable Grants
General Fund
Driver Education

Special Revenue Fund
E-Rate Grant

Proprietary Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

I. Interfund Assets/Liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Debt

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

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

L. Interfund Transactions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

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

N. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. BUDGETARY BASIS OF ACCOUNTING

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

a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

d. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

e. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis.)

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	($836,013)	$161,126	($44,470)	$105,596
Revenue Accruals	(229,451)	(14,623)	5,050	23,003
Expenditure Accruals	901,739	(27,974)	0	(4,539)
Encumbrances	(1,551,667)	(58,469)	0	(54,933)
Budget Basis	($1,715,392)	$60,060	($39,420)	$69,127

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

d. Bond and other obligations of the State of Ohio;

e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

f. The State Treasurer's investment pool (STAROhio);

g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one tune; and

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

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

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits:

At fiscal year end, the carrying amount of the School District's deposits was $210,698 and the bank balance was $710,027. Of the bank balance, $452,412 was covered by federal depository insurance and $257,615 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments:

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

	Category 3	Carrying / Fair Value
Monet Market - U.S. Treasury Securities	$0	$343,209
Repurchase Agreements	2,721,265	2,721,265
STAR Ohio	0	5,289,481
Totals	$2,721,265	$8,353,955

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

5. PROPERTY TAXES

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, 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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 within real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 First - Half Collections		2002 Second- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$495,775,720	91.36%	$505,172,520	92.21%
Public Utility	19,658,900	3.62%	14,873,530	2.72%
Tangible Personal Property	27,249,152	5.02%	27,776,510	5.07%
Total Assessed Value	$542,683,772	100.00%	$547,822,560	100.00%
Tax rate per $1,000 of assessed Valuation	$58.85		$59.25	

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was $1,285,396 in the general fund and $23,424 in the debt service fund.

6. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	$1,130,875
Less Accumulated Depreciation	(693,992)
Net Fixed Assets	$ 436,883

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 06/30/01	Additions	Deletions	Balance at 06/30/02
Land and Improvements	$ 808,095	$ 93,467	$ 0	$ 901,562
Buildings and Improvements	10,286,456	214,349	0	10,500,805
Furniture, Fixtures and Equipment	1,729,522	639,392	113,661	2,255,253
Vehicles	2,065,808	166,464	127,910	2,104,362
Total General Fixed Assets	$14,889,881	$1,113,672	$241,571	$15,761,982

7. RISK MANAGEMENT

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

Building and Contents - replacement cost ($1,000 deductible)	$60,037,770
Boiler and Machinery ($1,000 deductible)	60,037,770
Crime Insurance ($250 deductible)	25,000
Automobile Liability ($500 deductible)	1,000,000
Uninsured Motorists ($500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

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

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. 5.46 percent of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $369,711, and $838,074, and $190,460, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. $184,855 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $1,874,725, $2,591,724, and $1,066,280, respectively; 83.16 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. $315,671 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis. All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled $888,027.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, the balance in the Fund was $3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 eligible benefit recipients.

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

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease from 9.8 percent for fiscal year 2001. 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 2002, the minimum pay was established at $12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, were $161,439,934 and the target level was $242.2 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of $315.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund healthcare benefits, including the surcharges, equaled $702,914 for fiscal year 2002.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

10. OTHER EMPLOYEE BENEFITS (Continued)

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

B. Insurance Benefits

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

C. Retirement Incentive

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

11. CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2002, the School District entered into capitalized leases for equipment and furniture and fixtures. On a GAAP basis the new leases are classified as a capital outlay expenditure in the general fund with an offsetting amount reported as an other financing source and as a capital lease payable liability in the Food Service Fund with an offsetting amount reported as a fixed asset.

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group and in the Food Service Fund in the amount of $492,583 and $41,551, respectively. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and the Food Service Fund.

The carrying value of the Food Service Fund capital lease fixed assets was $436,883 at June 30, 2002. Principal payments in fiscal year 2002 totaled $111,826 in the governmental funds and $78,028 in the Food Service Fund.

11. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTDAG	Proprietary
2003	$174,010	$101,251
2004	143,941	97,379
2005	130,271	62,234
2006	71,651	16,708
2007	59,927	1,681
2008-2012	269,671	0
Total	849,471	279,253
Less: Amount Representing Interest	(154,265)	(29,712)
Present Value of Net Minimum Lease Payments	$695,206	$249,541

12. LONG-TERM OBLIGATION

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Restated Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
Enterprise Obligations				
Capital Leases	$ 286,018	$ 41,551	$ 78,028	$ 249,541
General Long-term Obligations				
1997 Energy Conservation Notes - 5.6%	$ 255,000	$ 0	$ 45,000	$ 210,000
1991 School Improvement Bonds - 5.6 to 6.85%	935,000	0	290,000	645,000
Capital Leases	314,449	492,583	111,826	695,206
Accrued Wages and Benefits	324,694	0	64,947	259,747
Compensated Absences	3,025,291	0	161,562	2,863,729
Total General Long-term Obligations	$4,854,434	$492,583	$673,335	$4,673,682

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

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

12. LONG-TERM OBLIGATION (Continued)

The capital lease balance was restated to reflect (1) the unrecorded remaining principal balance in a fiscal year 1999 equipment lease agreement with Baystone Financial Group, and (2) an error in calculating the remaining unpaid principal balance in the computer lease agreement with Apple Computer, Inc. The lease agreement with Apple Computer,Inc was entered into in fiscal year 2000. Capital leases are paid from the general and enterprise funds.

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	$ 360,000	$ 45,170	$ 405,170
2004	385,000	20,434	405,434
2005	55,000	6,160	61,160
2006	55,000	3,080	58,080
Total	$ 855,000	$ 74,844	$ 929,844

13. INTERFUND ACTIVITY

As of June 30, 2002, the general fund has an interfund receivable of $60,000 and the food service fund and special revenue fund have an interfund payable of $35,000 and $25,000; respectively.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service, and latchkey. The table below reflects the more significant financial data relating to the enterprise funds of the Northmont Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Latchkey	Totals
Operating Revenues	$1,892,133	$417,902	$2,310,035
Depreciation Expense	46,270	0	46,270
Operating Loss	(454,302)	(15,092)	(469,394)
Federal and State Subsidies	341,429	0	341,429
Interest	7,599	0	7,599
Donated Commodities	111,548	0	111,548
Net Income (Loss)	(14,448)	(15,092)	(29,540)
Fixed Asset Additions	64,826		64,826
Net Working Capital	(365,732)	92,947	(272,785)
Total Assets	446,293	93,813	540,106
Total Equity (Deficit)	(167,195)	92,947	(74,248)

15. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA $113,774 for services provided during the year. Financial information can be obtained from MDECA at 201 Riverside Drive Suite 1 C, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of 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 2002, the Northmont City School District paid $8,283 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

C. Southwestern Ohio Instructional Technology Association

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

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the School District paid $50,938 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

16. INSURANCE PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust

The School District also participates in the EPC Benefit Plan Trust (the Plan), a, group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. The District paid $2,437,311 for medical and dental benefits to the Plan during the year.

17. SCHOOL FUNDING COURT DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “…the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient…”. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

18. ACCOUNTABILITY AND COMPLIANCE

The following fund type had a deficit retained earnings balance:

Enterprise Fund Type - $(74,248)

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2001	($ 422,794)	($ 997,094)	$125,804
Current Year Set-aside Requirement	694,685	694,685	0
Current Year Offsets	0	0	0
Qualifying Disbursements	(1,034,100)	(1,312,000)	0
Set-aside Reserve Balance as of June 30, 2002	($ 762,209)	($ 1,614,409)	$125,804
Set-aside Balances Carried Forward to Future Fiscal Years	($ 762,209)	($ 538,702)	$125,804

The School District had qualifying disbursements during the year that reduced the set-aside amounts for capital acquisitions to below zero. Part of this extra amount may be used to reduce the set-aside requirements for future years. The requirement for budget stabilization was removed effective April 2001.

20. 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, 2002.

B. Litigation

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

NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education						
Nutrition Cluster:						
Food Distribution Program	(A)	10.550		$78,385		$111,548
School Breakfast Program	048728 05-PU-01	10.553	696		696	
	048728 05-PU-02		5,539		5,539	
Total School Breakfast Program			6,235		6,235	
National School Lunch Program	048728 LL-P1-01	10.555	45,174		45,174	
	048728 LL-P4-02		240,157		240,157	
Total National School Lunch Program			285,331		285,331	
Total United States Department of Agriculture - Nutrition Cluster			291,566	78,385	291,566	111,548
UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education						
Title I Grants to Local Educational Agencies	048728 C1-S1 01	84.010			23,694	
	048728 C1-S1 02		147,317		154,983	
Total Title I Grants to Local Educational Agencies			147,317		178,677	
Special Education Cluster:						
Title VI-B	048728 6B-SF 01	84.027			23,749	
	048728 6B-SF 02		283,616		279,415	
Total Title VI-B			283,616		303,164	
Special Education - Preschool Grant	048728 PG-S1 00	84.173	4,899		4,899	
Total Special Education Cluster			288,515		308,063	
Innovative Educational Program	048728 C2-S1 01	84.298			1,706	
	048728 C2-S1 02		28,690		22,098	
Total Innovative Education			28,690		23,804	
Eisenhower Math/Science Subsidy	048728 MS-S1 01	84.281			2,138	
	048728 MS-S1 02		21,239		20,534	
Total Eisenhower Math/Science Subsidy			21,239		22,672	
Drug Free Schools Grant	048728 DR-S1 01	84.186	(2)		3,667	
	048728 DR-S1 02		23,502		20,621	
Total Drug Free Schools			23,500		24,288	
State and Local Education Systemic Improvement	048728-G2SP-2001	84.276	1,000		1,000	
	048728-G2S9-2002		25,000			
Total State and Local Education Systemic Improvement			26,000		1,000	
Class Size Reductions	048728 CR-S1 01	84.340			6,277	
	048728 CR-S1 02		68,824		63,913	
Total Class Size Reductions			68,824		70,190	
Total United States Department of Education			604,085		628,694	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Montgomery County Educational Service Center						
Medical Assistance Program	(A)	93.778	14,274		14,274	
Totals Federal Assistance			$909,925	$78,385	$934,534	$111,548

(A) Project Number Not Applicable or Unknown

The accompanying notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this schedule.

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first. The amount of commodities reported in the financial statements is at the net amount, rather than the gross amount as reported in the Schedule.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District complied with the matching requirements. The expenditures of non-Federal matching funds are not included on the Schedule.

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Northmont City School District (the District), Montgomery County, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 21, 2003.

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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 21, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
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www.auditor.state.oh.us

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

Betty Montgomery

Betty Montgomery
Auditor of State

February 21, 2003

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northmont City School District (the District), Montgomery County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Betty Montgomery

Betty Montgomery
Auditor of State

February 21, 2003

NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster -- Title 6B: CFDA # 84.027 and Preschool Grant: CFDA # 84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Auditor of State
Betty Montgomery

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NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2003