



Mary Taylor, CPA
Auditor of State

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – June 30, 2008	13
Statement of Activities – for the Fiscal Year ended June 30, 2008	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds - June 30, 2008.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2008	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – for the Fiscal Year ended June 30, 2008	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities for the Fiscal Year ended June 30, 2008	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund For the Fiscal Year ended June 30, 2008.....	19
Statement of Fiduciary Net Assets - Fiduciary Funds - June 30, 2008	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund – for the Fiscal Year Ended June 30, 2008	21
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to Schedule of Federal Awards Receipts and Expenditures	48
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	51
Schedule of Findings.....	53

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeastern Local School District, Clark County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northeastern Local School District, Clark County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 October 19, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 19, 2008

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The discussion and analysis of Northeastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets decreased \$814,049, which represents a 3.73 percent decrease from 2007.
- General revenues accounted for \$26,602,432 in revenue or 84.58 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$4,850,961 or 15.42 percent of total revenues of \$31,453,393.
- Total assets of governmental activities decreased by \$78,631 as cash and cash equivalents increased by \$787,783, receivables decreased by \$284,870 and capital assets decreased by \$565,132.
- The governmental activities of the School District had \$32,267,442 in expenses; only \$4,850,961 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$26,602,432 were used to provide for these programs.
- Among major funds, the General Fund had \$28,124,457 in revenues and \$28,619,723 in expenditures. The General Fund's balance decreased \$494,892 over 2007. This decrease was predominately due to a decrease in local revenue. State revenue increased due to an increase in per pupil funding and the additional phasing-in of parity aide. Special Education weighted amounts were further phased in and so was Poverty Based Assistance (PBA). In calendar year 2007, there was new construction in Residential/Agricultural and Commercial Industrial real property of \$8,200,000 assessed value (35%). This should have generated additional revenue through inside millage and generated additional revenue for the last half of the fiscal year, when considering the hold harmless revenue the state contributed related to personal property collections. However, general real property tax revenue decreased instead. Typically, in 2008 (2009 collection) the reduction factors will change to level off the collection on the new construction. Since real estate tax revenue never increased to reflect new construction, it will be difficult to determine a logical outcome. Finally, another local revenue source that decreased was interest earnings. Interest rates have continued to decrease. Health insurance cost increases from year to year continue to increase at a decreasing rate due to the make up of the two tiered health insurance plan.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Using this General Accepted Accounting Principles Report (GAAP)

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods.

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

**Table 1
Net Assets**

	2007	2008
Assets		
Current and Other Assets	\$22,509,243	\$22,995,744
Capital Assets	20,010,977	19,445,845
Total Assets	42,520,220	42,441,589
Liabilities		
Long-Term Liabilities	6,949,983	6,636,694
Other Liabilities	13,720,761	14,769,468
Total Liabilities	20,670,744	21,406,162
Net Assets		
Invested in Capital Assets, Net of Debt	14,171,511	14,179,762
Restricted	2,101,117	2,013,572
Unrestricted	5,576,848	4,842,093
Total Net Assets	\$21,849,476	\$21,035,427

Total net assets decreased \$814,049. Cash and cash equivalents increased by \$787,783, receivables decreased by \$284,870 and capital assets decreased by \$565,132. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$734,755 due to the decrease in local property tax collections, interest revenue and partial phasing out of the personal property tax revenue.

Table 2 shows the changes in net assets for fiscal year 2008. Since this is the fourth year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons are available. Therefore, a comparative analysis of district-wide data is being presented, as follows:

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Assets**

	2007	2008
Revenues		
Program Revenues:		
Charges for Services	\$2,651,571	\$2,847,177
Operating Grants and Contributions	1,845,983	2,003,784
General Revenues		
Property Taxes	11,740,976	10,870,644
Grants and Entitlements	14,701,347	15,238,878
Other	516,487	492,910
Total Revenues	31,456,364	31,453,393
Program Expenses		
Instruction	17,133,218	18,187,701
Support Services:		
Pupils and Instructional Staff	3,093,887	3,284,412
Board of Education, Administration, and Fiscal	3,349,378	3,515,597
Operation and Maintenance of Plant	2,626,554	2,738,675
Pupil Transportation	1,838,459	1,845,261
Central	4,500	4,500
Operation of Non-Instructional Services	1,511,375	1,546,748
Extracurricular Activities	791,210	876,218
Interest and Fiscal Charges	292,576	268,330
Total Expenses	30,641,157	32,267,442
Change in Net Assets	\$ 815,207	(\$ 814,049)

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 34.6 percent of revenues for governmental activities for the Northeastern Local School District for fiscal year 2008.

The School District voters passed a four-year permanent improvement levy in March of 2000 for collection 2001 through 2004. This levy at 4.0 mills generated approximately \$1,436,000 in property tax revenue per year. Revenue collection for this levy ended in FY05. The Board has prioritized expenditure of the remaining permanent improvement dollars. Their remaining priorities are safety concerns and infrastructure improvements in the various buildings in the district. Following those, expenditures will be made in the areas of greatest need. A complete list of priorities can be obtained from the Treasurer's office. Due to the fact that permanent improvement needs never end; the board decided to place a 1 mill continuous permanent improvement levy on the ballot in November, 2006. This levy attempt failed. The board voted to place the permanent improvement levy back on the ballot in May, 2007. However, upon learning that May was considered a Special election and the cost to the district could be \$33,000 or more to place the issue on the ballot, the board voted to remove the issue in May and place it on the ballot in November, 2007. November, 2007 is not a special election and collection would still begin in January, 2008. However, the levy was again defeated in November, 2007. Additionally, the levy failed in March, 2008 and August, 2008. The board voted to place it back on the ballot again in November, 2008. Hopefully, the voters will understand the need and pass the levy.

Instruction comprises 56 percent of district expenses. Support services expenses make up 35 percent of the expenses.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$18,187,701	\$15,572,160
Support Services:		
Pupils and Instructional Staff	3,284,412	2,936,274
Board of Education, Administration, and Fiscal	3,515,597	3,383,738
Operation and Maintenance of Plant	2,738,675	2,735,350
Pupil Transportation	1,845,261	1,824,873
Central	4,500	4,500
Operation of Non-Instructional Services	1,546,748	43,362
Extracurricular Activities	876,218	647,894
Interest and Fiscal Charges	268,330	268,330
Total Expenses	<u>\$32,267,442</u>	<u>\$27,416,481</u>

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Almost 86 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 85 percent. The community, as a whole, is the primary support for the Northeastern Local School District.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31,549,146 and expenditures of \$31,979,148. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$494,892. As stated previously, this decrease was predominately due to a decrease in local revenue. State revenue increased due to an increase in per pupil funding and the additional phasing-in of parity aide and poverty based assistance. Local revenue should have increased due to new construction in Residential/Agricultural and Commercial Industrial real property of \$8,200,000 assessed value (35%). However, local revenue actually decreased and the reduction factors will change to level off any additional collection on new construction. Additional factors contributing to the decreased bottom line were decreased investment interest earned, continued phasing out of personal property taxes and increased expenditures for text books due to permanent improvement dollars running low.

General Fund Budgeting Highlights

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

During the course of the 2008 fiscal year, the School District amended its General Fund budget several times, which resulted in appropriations increasing \$1,526,923. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year and passed appropriations to match expenditures plus encumbrances.

For the General Fund, budget basis revenue and other financing sources was \$28,984,576; \$528,138 above the original budgeted estimates of \$28,456,438. This difference was primarily caused by unpredictable student enrollment that increased and thereby increased state revenue.

Capital Assets

At the end of the 2008 fiscal year, the School District had \$19,445,845 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2008 balances compared to 2007.

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

	2007	2008
Land	\$268,349	\$268,349
Land Improvement	330,742	323,643
Buildings and Improvements	16,611,282	16,124,704
Furniture and Equipment	1,790,221	1,681,080
Vehicles	1,010,383	1,048,069
Total Assets	\$20,010,977	\$19,445,845

Overall capital assets decreased \$565,132 from fiscal year 2007 to fiscal year 2008.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Debt Administration

On September 15, 2005, the Northeastern Local School District issued \$3,765,000 of General Obligation refunding bonds to provide resources to purchase United States Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,765,000 of General Obligation bonds. The School District used the new bonds, previously funded debt service payments, plus \$339,813, to defease the outstanding liability. The refunded portion of the 1996 bonds were called at the first call date of December 1, 2007. As a result, the in-substance defeasance is considered to be defeased and the liability has been removed from the statement of net assets.

In September 2005, the School District entered into an Escrow Trust Agreement with the Bank of New York. The agreement required that the School District deposit \$4,023,579 into an irrevocable trust with the bank for the payment to final maturity from the 1996 General Obligation Bonds. The funds deposited, per the agreement, purchased U.S. Government Securities in substitution of the general obligations of the School District. The funds deposited, together with interest earned thereon, shall be sufficient to pay semi-annual principal and interest payments, thus providing an in-substance defeasance. The (in-substance) defeasance has occurred for the following General Obligation bonds:

<u>Original Amount</u>	<u>Amount Defeased</u>	<u>Outstanding Amount at 6/30/08</u>
\$5,300,000	\$3,765,000	\$0

Current Financial Issues and Concerns

The fund balance in the general fund decreased this year by \$494,892. This was due in large part to the decrease in local tax revenue, decrease in interest earned due to low interest rates and increase in salaries and benefits. Also, more money had to be expended for textbook adoptions due to the Permanent Improvement Fund running low and no new permanent improvement revenue being received.

We are currently overcrowded in the majority of our buildings. The board and administration are trying to ascertain the consensus of our constituents prior to reconsideration of a bond issue for construction. An issue to build two new middle schools was first placed on the ballot in November, 2000. It failed at that time. It has been placed on the ballot four times since and has failed all four times. The board and administration feel that this is not an indication of voter disapproval toward construction, but more a barometer of the economy. In an effort to ascertain the mind set of our constituents, the board and administration made a commitment to work with the community at various community meetings held across the district. In addition to exploring public opinion as to what type of building(s) should be constructed, major concerns were raised as to whether the general public understands how schools are funded in the state of Ohio. Also, whether the public understands the fact that the administration is doing its best to get the greatest student education using the least amount of public resources. With this in mind, the board and administration made a commitment to a series of "public school engagement dialogue" meetings that began in fiscal year 2006. These meetings were intended to bring constituents in and engage them in a process of learning how public schools are funded in Ohio and why there is a shortfall of dollars to educate our students. This commitment continues as the district's board of education and administration continues to hold meetings to inform our constituents.

There is a five year master plan which has been placed on the district's web site. Currently, parts of the master plan have been placed on hold due to the failing of the one mill permanent improvement levy which has been placed on the ballot again in November, 2008.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The school district administration and board continue to work with the Ohio School Facilities Commission to introduce a master plan that will be accepted by the voters. Deliberations have narrowed down the options considered to one plan. The plan is to build a two campus concept. Each campus will contain a high school, middle school and elementary school. The board feels a two campus concept is best since the district encompasses 135 square miles and constituents seem to prefer maintaining their neighborhood schools.

At current writing, the district is 41% state funded and 59% locally funded as far as the Ohio School Facilities Commission is concerned. The district was informed that it would be eligible for state funds as early as November, 2009. Prior to state funds being received, a Permanent Improvement Levy or a required funding source must be in place. The district will need to raise funds for its 59% portion of the project, as well.

Externally, the State of Ohio was found by the Ohio Supreme Court (DeRolph case) in March 1997 to be operating an unconstitutional system of school funding, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. The legislators and government officials have somewhat abandoned the DeRolph case. With the current financial concerns the State is facing, they feel they have done as much as they can for K-12 education. The legislators appointed a blue ribbon task force comprised of legislators, business owners, and school officials to study school funding. As a result of the task force meetings, a school funding plan was presented to the legislators; however the legislators were unsure how they were going to fund the plan, so they abandoned it.

In comparison to other school districts in the state, the Northeastern Local School District would not be considered a School District suffering with low wealth. Therefore, the Northeastern Local School District has not anticipated any meaningful growth in State revenue other than from increased enrollment. However, the continued existence of parity aide has helped significantly. The Ohio Supreme Court has stated that there is an over-reliance on property taxes in the State of Ohio, so hopefully another revenue source will emerge in the near future.

Toward the end of the 2005 fiscal year, a funding plan was presented by the state that phases out certain areas of local tax revenue. The impact on the district and its tax payers for future years could be quite significant.

During fiscal year 2006, the state began its planned phase out of personal tangible property tax. School Districts will be held harmless through a fixed rate adjustment, resulting from commercial activity tax (CAT) revenue, for five years. After the five year period, a phase out will begin until the revenue is totally phased out in 2018. Hopefully, in the next several years, prior to phase out of the hold harmless provision, the legislators will come forward with a new funding plan for public education. A large group of individuals comprised of many educational professional organizations were unsuccessful in placing a constitutional amendment for school funding on the November, 2007 ballot. This constitutional amendment would have required the legislature to follow through with a new, more adequate funding plan for public education.

A pitfall of not being considered a low wealth district is the distribution of a lower percentage of funds from the Ohio School Facilities' Commission (OSFC). Our neighboring city district is receiving 88 percent of the cost of replacing almost all their school buildings from the State merely by raising the other 12 percent locally. The Northeastern Local School District currently qualifies for State funding of 41 percent while having to raise the remaining 59 percent of the master plan locally to qualify for state OSFC funding. This is another aspect of state funding that is confusing to the district voters and contributes to complicating the efforts of passing a bond issue.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The Northeastern Local School District has worked with the OSFC. In November, 2006, the district resubmitted all the necessary information to the OSFC in order for them to come up with a new master plan. Communication of a new master plan is now taking shape. As stated before, it would entail a two campus concept.

Other items of importance that occurred during the 2008 fiscal year are as follows:

- A 2 ½% increase was agreed to take effect for FY08. The majority of this was funded by major insurance concessions. In addition a 3 ¾% increase was negotiated for FY09.
- The board continued the establishment of a virtual school on and off-campus. This was done to reach some students who otherwise may drop out of school and/or just need a few credits to graduate. Some of these students prefer not to attend school full-time and prefer less structure than a classroom environment.
- Interactive Video Distance Learning Classes continued in the district.
- Under Mr. Broderick's guidance, a prioritized plan was adopted for expenditure of the remaining permanent improvement dollars. The Permanent Improvement Funds are dwindling to the point that they are only being used to address safety concerns in the district.
- The Board members of the district continue to be extremely concerned about the school funding issues. The local superintendents and treasurers meet with the local legislators on a monthly basis. They continually work toward goals to raise awareness regarding the school funding crisis in the State of Ohio. On October 16th, Mr. Kadel, Board President has organized a candidates' educational forum to express to the candidates of the November, 2008 election the importance of their commitment to public school funding. This is all a part of a grass roots initiative to improve public educational funding in the state of Ohio.
- A five year plan for the district has been placed on the district's website, <http://www.nelsd.org>. This has been done in an effort to further communication with our constituents. The plan includes a permanent improvement levy, a bond issue, and will more than likely include the passage of an operating levy as the balance in the general fund decreases over the next several years. The timing of these issues will depend on state aid and future proposals to fund education in Ohio by the legislator. Also, timing will be in part based on the results of the OSFC's study for new construction in the district.

In conclusion, the Northeastern Local School District has committed itself to financial excellence for many years. The School District's system of financial planning, budgeting, and internal financial controls are highly regarded. It becomes increasingly difficult to deliver an excellent education with the tight economic times, and the continual eroding of the personal property tax base in the district. However, we have faith that our students will become a top priority with the legislature and their ongoing school funding issues. The School District plans to continue its sound fiscal management to meet the challenges of the future.

This past year the School District was very proud to receive an excellent rating on its Local Report Card, as determined by the Ohio Department of Education. The District will strive to maintain this rating as funding dollars become even more scarce.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Denise D. Schneider, Chief Fiscal Officer at Northeastern Local School District, 1414 Bowman Road, Springfield, Ohio 45502 or email at **deedeschneider@nelsd.org**. If Denise Schneider is not available, please contact Denise Robinson, her assistant, at the same location, or email her at **deniserobinson@nelsd.org**.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,608,478
Cash and Cash Equivalents in Segregated Accounts	4,000
Cash and Cash Equivalents with Fiscal Agents	11,764
Materials and Supplies Inventory	129,579
Accounts Receivable	34,241
Intergovernmental Receivable	69,161
Prepaid Items	1,000
Property Taxes Receivable	13,934,352
Deferred Charges	203,169
Capital Assets, net	19,445,845
Total Assets	42,441,589
 Liabilities and Fund Balances	
Liabilities:	
Accounts Payable	30,451
Accrued Wages	2,700,746
Intergovernmental Payable	916,447
Matured Bonds Payable	10,000
Matured Interest Payable	1,764
Accrued Interest Payable	15,197
Accrued Vacation Leave Payable	72,751
Deferred Revenue	10,713,683
Compensated Absences Payable	308,429
Long-Term Liabilities:	
Due Within One Year	744,994
Due in More Than One Year	5,624,703
Unamortized Premium on Bonds	266,997
Total Liabilities	21,406,162
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	14,179,762
Restricted for Debt Service	981,860
Restricted for Capital Outlay	641,840
Restricted for Other Purposes	389,872
Unrestricted	4,842,093
Total Net Assets	\$21,035,427

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$14,487,250	\$1,716,042	\$106,004	(\$12,665,204)
Special	2,871,037		655,903	(2,215,134)
Vocational	786,683		119,601	(667,082)
Adult/Continuing	276			(276)
Other	42,455		17,991	(24,464)
Support Services:				
Pupils	1,613,075		150,230	(1,462,845)
Instructional Staff	1,671,337		197,908	(1,473,429)
Board of Education	50,737			(50,737)
Administration	2,772,072		131,859	(2,640,213)
Fiscal	692,788			(692,788)
Operation and Maintenance of Plant	2,738,675	3,141	184	(2,735,350)
Pupil Transportation	1,845,261		20,388	(1,824,873)
Central	4,500			(4,500)
Operation of Non-Instructional Services	1,546,748	904,703	598,683	(43,362)
Extracurricular Activities	876,218	223,291	5,033	(647,894)
Interest and Fiscal Charges	268,330			(268,330)
Total Governmental Activities	\$32,267,442	\$2,847,177	\$2,003,784	(27,416,481)
 General Revenues				
Grants and Entitlements not Restricted to Specific Programs				15,238,878
Gifts and Donations				35,038
Investment Earnings				410,745
Miscellaneous				30,495
Property and Other Local Taxes				10,870,644
Rent				980
Extracurricular Activities				1,025
Proceeds from Sale of Capital Assets				775
Customer Services				13,852
				26,602,432
Total General Revenues and Property and Other Local Taxes				26,602,432
Change in Net Assets				(814,049)
Net Assets Beginning of Year				21,849,476
Net Assets End of Year				\$21,035,427

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$6,545,051	\$567,254	\$1,496,173	\$8,608,478
Cash and Cash Equivalents in Segregated Accounts			4,000	4,000
Cash and Cash Equivalents with Fiscal Agents			11,764	11,764
Materials and Supplies Inventory	102,917		15,225	118,142
Accounts Receivable	34,241			34,241
Intergovernmental Receivable	2,861		66,300	69,161
Prepaid Items	1,000			1,000
Property Taxes Receivable	13,549,098		385,254	13,934,352
Total Assets	<u>20,235,168</u>	<u>567,254</u>	<u>1,978,716</u>	<u>22,781,138</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	26,047	1,865	2,539	30,451
Accrued Wages	2,495,861		204,885	2,700,746
Intergovernmental Payable	852,251		64,196	916,447
Matured Bonds Payable			10,000	10,000
Matured Interest Payable			1,764	1,764
Deferred Revenue	11,429,863		344,869	11,774,732
Matured Compensated Absences Payable	278,693		29,736	308,429
Total Liabilities	<u>15,082,715</u>	<u>1,865</u>	<u>657,989</u>	<u>15,742,569</u>
Fund Balances:				
Reserved:				
Reserved for Encumbrances	168,799	5,980	49,942	224,721
Reserved for Inventory	102,917		15,225	118,142
Reserved for Property Taxes	2,119,235		40,385	2,159,620
Unreserved, Undesignated, Reported in:				
General Fund	2,761,502			2,761,502
Special Revenue Funds			215,276	215,276
Debt Service Funds			921,633	921,633
Capital Projects Funds		559,409	78,266	637,675
Total Fund Balances	<u>5,152,453</u>	<u>565,389</u>	<u>1,320,727</u>	<u>7,038,569</u>
Total Liabilities and Fund Balances	<u>\$20,235,168</u>	<u>\$567,254</u>	<u>\$1,978,716</u>	<u>\$22,781,138</u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

June 30, 2008

Total Governmental Fund Balances		\$7,038,569
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$268,349	
Depreciable capital assets	32,292,670	
Accumulated depreciation	<u>(13,115,174)</u>	
Total capital assets		19,445,845
<p>Other long-term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:</p>		
Property Taxes		1,061,049
Deferred Charge on Refunded Debt		203,169
Federal donated commodities are not reported in the funds.		11,437
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(15,198)
Unamortized Premium on Bonds issued during the fiscal year		(266,997)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Bonds and notes payable	(4,900,000)	
Compensated absences	(1,443,360)	
Capital leases	<u>(99,087)</u>	
Total liabilities		<u>(6,442,447)</u>
Net Assets of Governmental Activities		<u><u>\$21,035,427</u></u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Local Taxes	\$10,472,907		\$351,886	\$10,824,793
Intergovernmental	15,383,322		1,850,456	17,233,778
Interest	410,745		8,884	419,629
Tuition and Fees	1,838,153			1,838,153
Rent	980			980
Extracurricular Activities			233,066	233,066
Gifts and Donations			35,038	35,038
Customer Sales and Services	13,852		904,703	918,555
Miscellaneous	4,498	\$1,725	38,931	45,154
Total Revenues	<u>28,124,457</u>	<u>1,725</u>	<u>3,422,964</u>	<u>31,549,146</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,776,511	3,158	128,740	13,908,409
Special	2,234,253		581,776	2,816,029
Vocational	756,637			756,637
Adult/Continuing	276			276
Other	25,515		16,940	42,455
Support Services:				
Pupils	1,428,458		150,348	1,578,806
Instructional Staff	1,427,814		202,290	1,630,104
Board of Education	50,737			50,737
Administration	2,583,083		131,202	2,714,285
Fiscal	695,380		6,849	702,229
Operation and Maintenance of Plant	2,655,567	68,105	4,488	2,728,160
Pupil Transportation	1,851,983	11,889		1,863,872
Central	4,500			4,500
Operation of Non-Instructional Services	80,900	21,514	1,389,005	1,491,419
Extracurricular Activities	666,324		224,971	891,295
Capital Outlay				
Debt Service:				
Principal	319,110		230,000	549,110
Interest	62,675		188,150	250,825
Total Expenditures	<u>28,619,723</u>	<u>104,666</u>	<u>3,254,759</u>	<u>31,979,148</u>
Excess of Revenues Over (Under) Expenditures	<u>(495,266)</u>	<u>(102,941)</u>	<u>168,205</u>	<u>(430,002)</u>
Other Financing Sources and Uses:				
Proceeds from Sale of Fixed Assets			775	775
Total Other Financing Sources and Uses			<u>775</u>	<u>775</u>
Net Change in Fund Balances	(495,266)	(102,941)	168,980	(429,227)
Fund Balance at Beginning of Year	5,647,345	668,330	1,150,780	7,466,455
Increase (Decrease) in Reserve for Inventory	<u>374</u>		<u>967</u>	<u>1,341</u>
Fund Balance (Deficit) at End of Year	<u>\$5,152,453</u>	<u>\$565,389</u>	<u>\$1,320,727</u>	<u>\$7,038,569</u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds (\$429,227)

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

Governmental funds report capital outlays as expenditures.

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

Fixed Asset Additions	\$262,906	
Current Year Depreciation	(767,346)	
Fixed Asset Deletions	<u>(60,692)</u>	
		(565,132)

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

Property Taxes	45,851	
Tuition and Fees	<u>(166,651)</u>	
		(120,800)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:

Bond principal retirement	505,000	
Capital lease payments	<u>44,110</u>	
Total long-term debt repayment		549,110

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current Year Impact of Issuance Costs	(18,470)	
Current Year Impact of Long-Term Debt Premium	<u>24,272</u>	5,802

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. 965

Donated commodities received and used are not recognized in the funds. 1,383

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

Compensated Absences	(257,491)	
Change in Inventory	<u>1,341</u>	
Total additional expenditures		<u>(256,150)</u>

Change in Net Assets of Governmental Activities (\$814,049)

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Local Taxes	\$11,096,400	\$11,302,344	\$11,302,344	
Intergovernmental	15,103,017	15,383,322	15,383,322	
Interest	404,183	411,684	411,684	
Tuition and Fees	1,847,460	1,881,748	1,881,748	
Rent	962	980	980	
Miscellaneous	4,416	4,498	4,498	
Total Revenues	<u>28,456,438</u>	<u>28,984,576</u>	<u>28,984,576</u>	
Expenditures:				
Current:				
Instruction:				
Regular	13,298,312	13,825,114	13,825,114	
Special	1,867,750	2,197,212	2,197,212	
Vocational	749,877	758,086	758,086	
Other	20,521	28,227	28,227	
Support Services:				
Pupils	1,286,508	1,379,793	1,379,793	
Instructional Staff	1,300,752	1,420,421	1,420,421	
Board of Education	58,879	67,864	67,864	
Administration	2,412,509	2,530,056	2,530,056	
Fiscal	663,178	696,076	696,076	
Operation and Maintenance of Plant	2,577,774	2,643,711	2,643,711	
Pupil Transportation	1,671,203	1,874,229	1,874,229	
Central	4,500	4,500	4,500	
Operation of Non-Instructional Services		6,154	6,154	
Extracurricular Activities	642,215	670,946	670,946	
Capital Outlay	21,580			
Debt Service:				
Principal	263,169	275,000	275,000	
Interest and Fiscal Charges	74,414	62,675	62,675	
Total Expenditures	<u>26,913,141</u>	<u>28,440,064</u>	<u>28,440,064</u>	
Excess of Revenues Under Expenditures	<u>1,543,297</u>	<u>544,512</u>	<u>544,512</u>	
Net Change in Fund Balances	1,543,297	544,512	544,512	
Fund Balance at Beginning of Year	5,584,812	5,584,812	5,584,812	
Prior Year Encumbrances Appropriated	<u>263,814</u>	<u>263,814</u>	<u>263,814</u>	
Fund Balance at End of Year	<u>\$7,391,923</u>	<u>\$6,393,138</u>	<u>\$6,393,138</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust	Agency
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$6,787	\$119,534
Investments		
In Segregated Accounts	10,000	
Receivables:		
Accrued Interest	18	
Total Assets	16,805	119,534
Liabilities		
Due to Students		\$119,534
Net Assets		
Held in Trust for Scholarships	\$16,805	

See accompanying notes to the basic financial statements.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$1,400
Interest	379
Total Additions	1,779
Deductions	
Payments in Accordance with Trust Agreements	1,400
Total Deductions	1,400
Change in Net Assets	379
Net Assets Beginning of Year	16,426
Net Assets End of Year	\$16,805

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

1. Governmental Funds:

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

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.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2. Fiduciary Fund Types:

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

2. Fund Financial Statements:

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

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures:

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to certificates of deposit, which are reported at cost, First American Treasury Money Market funds, Federal Home Loan Bank Notes, and Federal Home Loan Mortgage Corporation (FHLMC) Notes.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2008 amounted to \$410,745 which includes \$87,961 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

P. Estimates

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

3. FUND DEFICITS

The School District had deficit fund balances in the following special revenue funds as of June 30, 2008:

<u>Fund</u>	<u>Amount</u>
Food Service	\$75,608
Title VI-B	57,100
Title I	729
Preschool	151

The general fund is liable for deficits in these funds and will provide operating transfers when cash is required, not when accruals occur.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
GAAP Basis	(\$495,266)
Net Adjustment for Revenue Accruals	860,099
Net Adjustment for Expenditure Accruals	278,967
Unrecorded Cash	20
Prepays	(666)
Principal Payments	44,110
Adjustment for Encumbrances	(142,752)
Budget Basis	\$544,512

5. DEPOSITS AND INVESTMENTS

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

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

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

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand:

At year end, the School District had \$4,000 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

B. Deposits:

At year-end, the carrying amount of the School District's deposits was \$6,526,284 and the bank balance was \$7,425,496. \$118,462 of the bank balance was covered by federal depository insurance and \$7,307,034 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

C. Investments:

During fiscal year 2008, the School District began to diversify its investment portfolio to gain a higher rate of return while still maintaining liquidity and minimizing risk. Investments include First American Treasury Money Market, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and mortgaged backed securities issued by Federal Home Loan Mortgage Corporation.

The district's investments at June 30, 2008 are summarized below:

<u>Investment</u>	<u>0-1 Years Before Maturity</u>	<u>1-5 Years Before Maturity</u>	<u>Credit Rating</u>	<u>% of Portfolio</u>
First American Treasury Money Market	\$7,794			0.35%
Federal Home Loan Bank Notes	1,653,969	\$150,046	Aaa, AAA	80.89
Federal Home Loan Mortgage Corporation (FHLMC MTM)	99,770		Aaa, AAA	4.47
Federal Home Loan Mortgage Corporation (FHLMC) Discount Notes	318,700		Aaa, AAA	14.29
	<u>\$2,080,233</u>	<u>\$150,046</u>		<u>100.00%</u>

D. Custodial Credit Risk:

The risk that, in the event of a failure of a counter party, the District will not be able to recover the value of its investments or collateral securities that is in the possession of an outside party. The District employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as a means of mitigating this risk.

E. Interest Rate Risk:

Interest rate risk is the risk that the District will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. Per the Board of Education investment policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific obligation or debt of the District.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

F. Credit Risk:

The Ohio Revised Code limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase.

G. Concentration of Credit Risk:

The District's investment policy provides for diversification to avoid undue concentration in securities of one type or securities. This restriction does not apply to obligations guaranteed by the U.S. government. Of the District's total investments, .35 percent is invested in a money market fund; 80.89 percent are Federal Home Loan Bank Notes; 4.47 percent is invested in Federal National Mortgage Corporation (MTM); and 14.29 percent are Federal Home Loan Mortgage Corporation Discount Notes (FHMLC).

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash and Cash Equivalents – Basic Financial Statements	\$8,750,563	\$ 10,000
Cash on Hand	(4,000)	
Investments:		
Certificate of Deposit	10,000	(10,000)
First American Treasury Money Market	(7,794)	7,794
Federal Home Loan Bank Notes	(1,804,015)	1,804,015
Federal Home Loan Mortgage Corporation (FHLMC MTM)	(99,770)	99,770
Federal Home Loan Mortgage Corporation (FHLMC) Notes	(318,700)	318,700
Total	<u>\$6,526,284</u>	<u>\$2,230,279</u>

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half 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 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) are for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after April 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second – Half Collections		2008 First – Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$411,839,310	92.31%	\$451,156,100	95.01%
Public Utility Personal	11,312,370	2.54	8,103,130	1.71
Tangible Personal Property	22,997,212	5.15	15,593,997	3.27
Total	\$446,148,892	100.00%	\$474,853,227	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$48.14		\$47.02	

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 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, personal property and public utility taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. At June 30, 2008, \$2,119,235 was available as an advance to the general fund and \$40,385 in the non-major governmental funds.

7. RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants and interest. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RECEIVABLES (Continued)

Governmental Activities:

Motor Fuel Tax Reimbursement	\$2,861
Title VI-B Grant	50,000
Title I Grant	15,000
Title VI Grant	1,000
Pre-K Grant	300
Total Intergovernmental Receivables	\$69,161

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Governmental Activities				
Capital Asset, not being depreciated:				
Land	\$ 268,349			\$ 268,349
Total Capital Assets, not being depreciated	268,349			268,349
Capital Assets, being depreciated:				
Land Improvements	673,727			673,727
Buildings and Improvements	26,477,268	\$ 16,291		26,493,559
Furniture and Equipment	3,232,247	105,923	\$318,202	3,019,968
Vehicles	1,995,174	140,692	30,450	2,105,416
Total Capital Assets, being depreciated	32,378,416	262,906	348,652	32,292,670
Less Accumulated Depreciation:				
Land Improvements	(342,985)	(7,099)		(350,084)
Buildings and Improvements	(9,865,986)	(502,869)		(10,368,855)
Furniture and Equipment	(1,442,026)	(157,914)	(261,052)	(1,338,888)
Vehicles	(984,791)	(99,464)	(26,908)	(1,057,347)
Total Accumulated Depreciation	(12,635,788)	(767,346)	(287,960)	(13,115,174)
Total Capital Assets being depreciated, Net	19,742,628	(504,440)	60,692	19,177,496
Governmental Activities Capital Assets, Net	\$20,010,977	(\$504,440)	\$ 60,692	\$19,445,845

* Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$320,180
Special	51,160
Vocational	29,197

Support Services:

Pupil	34,150
Instructional Staff	36,278
Administration	50,804
Fiscal	3,590
Operation and Maintenance of Plant	33,540
Pupil Transportation	100,727
Operation of Non-Instructional Services	53,511
Extracurricular Activities	54,209
Total Depreciation Expense	\$767,346

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with the Southwestern Ohio Educational Purchasing Council for property and fleet insurance, liability insurance, crime, terrorism, and automobile coverage. Coverage provided through this Council is as follows:

Building and Contents - replacement cost; including Boiler and Machinery	\$50,000,000
Certified Acts of Terrorism	5,000,000
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000

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

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control, and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Northeastern Local School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. 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, 2008, 2007, and 2006 were \$409,316, \$550,612, and \$482,086, respectively; 38.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$251,968 represents the unpaid contribution for fiscal year 2007.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. Northeastern Local School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,930,860, \$1,804,089, and \$1,714,558, respectively; 83.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$68,128 made by the School District and \$19,103 made by the plan members.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$74,746.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for fiscal years ended June 30, 2008, 2007, and 2006 were \$261,530, \$243,733, and \$224,941 respectively; 38.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$29,492, \$35,058, and \$35,541 respectively; 38.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$148,528, \$138,776, and \$131,889 respectively; 83.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, unused sick leave up to the maximum of 225 days. Administrators retiring in fiscal year 2008 were eligible to receive payment of 40 percent of accrued, unused sick leave up to the maximum of 225 days.

B. Insurance Benefits

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

C. Special Termination Benefit

The School District offered a special termination benefit plan during fiscal year 2008. To participate in the plan, an employee must opt for this program the first time they are eligible to retire with 30 years of experience, or the first year eligible according to STRS. For certified staff, the special termination benefit amount is \$60,000, payable over the next four years after retirement in four equal payments beginning on June 1, 2009, and ending June 1, 2012. Also, only for fiscal year 2008, an employee who opts to retire as of June 30, 2008 with 31, 32, or 33 years may opt to retire with the following incentive amounts with the same guidelines as stated above: \$30,000 for 31 years; \$20,000 for 32 years, and \$10,000 for 33 years. For classified employees, the amount is \$5,000, if full-time, \$2,500 if part-time, payable as stated above. For the School District, the liability as of June 30, 2008 is \$268,395.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into a several lease agreements for copiers for the district. The lease 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 are reflected as debt service expenditures in the general purpose financial statements for governmental funds. The items are being capitalized as part of fixed assets. A corresponding liability is included in governmental activities general long term debt. Principal payments in fiscal year 2008 totaled \$44,110. Future minimum lease payments are as follows:

Year	Amount
2009	\$44,110
2010	44,110
2011	10,867
Present Value of Net Minimum Lease Payments	\$99,087

The scheduled payment for fiscal year 2011 reflects an increase of \$1,849 as a result of incorrect billing in fiscal year 2007.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding June 30, 2007	Additions	Deductions	Amount Outstanding June 30, 2008	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
1996 Building Issue					
5.125 to 6%	\$220,000		\$220,000		
2005 Refunding GO Bonds					
3% to 5.75% 14 years	3,685,000		10,000	3,675,000	235,000
Premium on 2005 Refunding	291,269		24,272	266,997	24,272
Energy Conservation Bonds:					
4.6% 10 years	1,500,000		275,000	1,225,000	285,000
Total Bond Debt	\$5,696,269		\$529,272	\$5,166,997	\$544,272
Capital Leases	143,197		44,110	99,087	44,110
Compensated Absences	1,110,517	260,093	0	1,370,610	156,612
Total Governmental Activities Long-Term Liabilities	\$6,949,983	\$260,093	\$573,382	\$6,636,694	\$744,994

1996 General Obligation Bonds - On March 1, 1996, Northeastern Local School District issued \$5,300,000 in voted general obligation bonds for the purpose of an addition and improvement to the District's buildings.

These bonds were partially refunded in 2005. The non-refunded portion matured December 1, 2007. The bonds were retired from the debt service fund.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

2005 Refunding General Obligation Bonds – On September 28, 2005, the School District issued School Improvement Refunding General Obligation Bonds, with semi-annual payments due on June 1 and December 1 of each year, and interest payable beginning December 1, 2005. The refunding bonds are issued for the purpose of refunding outstanding general obligation bonds originally issued for the purpose of new construction, improvements, renovations, and additions to school facilities and providing equipment, including educational equipment and curriculum materials, furnishings and site improvements.

2001 Energy Conservation Bonds - On July 12, 2001, the School District issued \$2,700,000 in Energy Conservation Bonds pursuant to House Bill 264 for the purpose of acquiring, constructing, and installing energy conservation measures. These bonds are at an interest rate of 4.6% and are payable over 10 years, starting in fiscal year 2003.

The capital lease obligation will be paid from the general fund.

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

The School District's overall legal debt margin was \$40,027,501, with an unvoted debt margin of \$474,894, and an energy conservation debt margin of (\$840,336) at June 30, 2008.

Principal and interest requirements to retire general obligation and energy conservation debt outstanding at June 30, 2008, are as follows:

2005 Refunding G O Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Totals
2009	\$ 235,000	\$ 175,901	\$ 410,901
2010	255,000	162,426	417,426
2011	275,000	147,851	422,851
2012	300,000	132,039	432,039
2013	320,000	114,988	434,988
2014-2018	1,900,000	283,298	2,183,298
2019	390,000	7,312	397,312
Total	<u>\$3,675,000</u>	<u>\$1,023,815</u>	<u>\$4,698,815</u>

Energy Conservation Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Totals
2009	\$ 285,000	\$ 49,795	\$ 334,795
2010	300,000	36,340	336,340
2011	315,000	22,195	337,195
2012	325,000	7,475	332,475
Total	<u>\$1,225,000</u>	<u>\$115,805</u>	<u>\$1,340,805</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS

On September 15, 2005, the Northeastern Local School District issued \$3,765,000 of General Obligation refunding bonds to provide resources to purchase United States Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,765,000 of General Obligation bonds. The School District used the new bonds, previously funded debt service payments, plus \$339,813, to defease the outstanding liability. The refunded portion of the 1996 bonds will be called at the first call date of December 1, 2007. As a result, the in-substance defeasance is considered to be defeased and the liability has been removed from the statement of net assets. Until the bonds are called the information will be presented as a note to the financial statements (See Note 16).

16. IN-SUBSTANCE DEFEASANCE OF GENERAL OBLIGATION BONDS

In September 2005, the School District entered into an Escrow Trust Agreement with the Bank of New York. The agreement required that the School District deposit \$4,023,579 into an irrevocable trust with the bank for the payment to final maturity from the 1996 General Obligation Bonds. The funds deposited, per the agreement, purchased U.S. Government Securities in substitution of the general obligations of the School District. The funds deposited, together with interest earned thereon, shall be sufficient to pay semi-annual principal and interest payments, thus providing an in-substance defeasance. The (in-substance) defeasance has occurred for the following General Obligation bonds:

Original Amount	Amount Defeased	Outstanding Amount at 6/30/08
\$5,300,000	\$3,765,000	\$0

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer System (MVECA), which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$119,542 for services provided during the year. Financial information can be obtained from Angie Crandall, Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Springfield/Clark County Career Technical Center - The Springfield/Clark County Career Technical Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District did not make any payments to the CTC for fiscal year 2008. To obtain financial information, write to the Springfield/Clark County Career Technical Center, Pamela Mustovich, Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the general fund. During fiscal year 2008, the School District paid \$1,796 to the SOEPC for membership fees. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

B. Insurance Purchasing Pool

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

18. SET-ASIDE CALCULATIONS

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

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

	Text books	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2007	(\$1,894,854)	
Current Year Set-aside Requirement	574,513	\$ 574,513
Qualifying Disbursements	(558,963)	(3,116,903)
Totals	<u>(1,879,304)</u>	<u>(2,542,390)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,897,304)</u>	<u>\$ 0</u>

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District's attorney estimates that any potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

20. CONTRACTUAL COMMITMENTS

The School District had the following contractual commitments as of June 30, 2008:

<u>Contractor</u>	<u>Job Description</u>	<u>Amount</u>
David Williams & Associates	Play Structure at Rolling Hills	\$23,129

This page intentionally left blank.

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education:					
Food Donation	10.550		\$122,770		\$122,770
National School Lunch Program	10.555	<u>\$243,229</u>		<u>\$243,229</u>	
Total United States Department of Agriculture		<u>243,229</u>	<u>122,770</u>	<u>243,229</u>	<u>122,770</u>
UNITED STATES DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education:					
Special Education Cluster:					
Special Education_Grants to States	84.027	759,285		749,487	
Special Education_Preschool Grants	84.173	<u>22,417</u>		<u>22,417</u>	
Total Special Education Cluster		781,702		771,904	
Title I Grants to Local Educational Agencies	84.010	228,250		228,264	
Safe and Drug-Free Schools and Communities_State Grants	84.186	11,833		11,745	
State Grants for Innovative Programs	84.298	7,335		9,541	
Education Technology State Grants	84.318	463		209	
Improving Teacher Quality State Grants	84.367	73,483		63,457	
Total United States Department of Education		<u>1,103,066</u>		<u>1,085,120</u>	
Total Federal Financial Assistance		<u>\$1,346,295</u>	<u>\$122,770</u>	<u>\$1,328,349</u>	<u>\$122,770</u>

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the Northeastern Local School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeastern Local School District, Clark County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 19, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Northeastern Local School District, Clark County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Northeastern Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 19, 2008

**NORTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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



Mary Taylor, CPA
Auditor of State

NORTHEASTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2008**