

**NEWTON FALLS
EXEMPTED VILLAGE SCHOOL DISTRICT
YOUNGSTOWN REGION, TRUMBULL COUNTY
SINGLE AUDIT
JULY 1, 1998 THROUGH JUNE 30, 1999**

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

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Report of Independent Accountants

Newton Falls Exempted Village School District
Trumbull County
909 1/2 Milton Blvd.,
Newton Falls, Ohio 44444-9707

To the Board of Education:

We have audited the general-purpose financial statements of the Newton Falls Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Newton Falls Exempted School District, Trumbull County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Newton Falls Exempted Village School District
Trumbull County
Report of Independent Accountants
Page 2

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro
Auditor of State

February 24, 2000

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**Newton Falls Exempted Village School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits:</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 261,480	\$ 853,058	\$ 27,762	\$ 1,808,009
Receivables:				
Taxes	2,091,888	643,371	438,238	-
Accounts	9,010	559	-	-
Intergovernmental	-	2,807	-	-
Interfund receivable	16,393	170	-	-
Due from other funds	-	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Equity in pooled cash and cash equivalents (restricted)	111,223	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other debits:</u>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	\$ 2,489,994	\$ 1,499,965	\$ 466,000	\$ 1,808,009
<u>Liabilities, fund equity and other credits:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 51,335	\$ 9,025	\$ -	\$ -
Accrued wages	568,150	25,266	-	-
Compensated absences payable	2,406	-	-	-
Interfund payable	-	2,807	-	-
Due to other funds	3,196	143	-	-
Intergovernmental payable	117,241	3,848	-	-
Deferred revenue	2,085,707	641,457	436,953	-
Due to students	-	-	-	-
School facilities loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	2,828,035	682,546	436,953	-
<u>Fund equity and other credits:</u>				
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	177,140	43,347	-	39,612
Reserved for budget reserve	102,949	-	-	-
Reserved for debt service	-	-	27,762	-
Reserved for textbook reserve	8,274	-	-	-
Reserved for property taxes	6,181	1,913	1,285	-
Unreserved, undesignated	(632,585)	772,159	-	1,768,397
Total fund equity and other credits	(338,041)	817,419	29,047	1,808,009
Total liabilities, fund equity and other credits	\$ 2,489,994	\$ 1,499,965	\$ 466,000	\$ 1,808,009

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 6,597	\$ 970	\$ 86,173	\$ -	\$ -	\$ 3,044,049
-	-	-	-	-	3,173,497
43	-	-	-	-	9,612
19,472	-	-	-	-	22,279
-	-	-	-	-	16,563
-	-	3,405	-	-	3,405
10,374	-	-	-	-	10,374
1,551	-	-	-	-	1,551
-	-	-	-	-	111,223
106,653	-	-	13,132,897	-	13,239,550
-	-	-	-	27,762	27,762
-	-	-	-	7,600,629	7,600,629
<u>\$ 144,690</u>	<u>\$ 970</u>	<u>\$ 89,578</u>	<u>\$ 13,132,897</u>	<u>\$ 7,628,391</u>	<u>\$ 27,260,494</u>
\$ 69	\$ -	\$ -	\$ -	\$ -	\$ 60,429
11,660	-	-	-	-	605,076
8,026	-	-	-	628,955	639,387
13,586	-	170	-	-	16,563
66	-	-	-	-	3,405
22,604	-	48,168	-	60,744	252,605
6,357	-	-	-	-	3,170,474
-	-	39,258	-	-	39,258
-	-	-	-	2,178,692	2,178,692
-	-	-	-	4,760,000	4,760,000
<u>62,368</u>	<u>-</u>	<u>87,596</u>	<u>-</u>	<u>7,628,391</u>	<u>11,725,889</u>
-	-	-	13,132,897	-	13,132,897
82,322	970	-	-	-	83,292
-	-	1,010	-	-	261,109
-	-	-	-	-	102,949
-	-	-	-	-	27,762
-	-	-	-	-	8,274
-	-	-	-	-	9,379
-	-	972	-	-	1,908,943
<u>82,322</u>	<u>970</u>	<u>1,982</u>	<u>13,132,897</u>	<u>-</u>	<u>15,534,605</u>
<u>\$ 144,690</u>	<u>\$ 970</u>	<u>\$ 89,578</u>	<u>\$ 13,132,897</u>	<u>\$ 7,628,391</u>	<u>\$ 27,260,494</u>

Newton Falls Exempted Village School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$ 1,797,820	\$ 552,516	\$ 377,180	\$ -
Intergovernmental	4,844,424	795,855	45,840	441,721
Interest	96,476	-	-	85,040
Tuition and fees	20,478	-	-	-
Extracurricular activities	3,054	223,141	-	-
Miscellaneous	38,489	4,359	-	-
Total revenues	6,800,741	1,575,871	423,020	526,761
Expenditures:				
Current:				
Instruction:				
Regular	3,783,874	92,793	-	30,691
Special	521,923	217,487	-	-
Vocational	121,698	-	-	-
Other	62,910	18,093	-	-
Support services:				
Pupils	277,097	-	-	-
Instructional staff	141,292	22,301	-	-
Board of education	11,853	-	-	-
Administration	682,889	24,926	-	7,680
Fiscal	207,251	13,279	6,619	-
Operation and maintenance of plant	790,934	17,955	-	398,420
Pupil transportation	532,524	-	-	-
Central	2,847	10	-	-
Operation of non-instructional services	-	106,490	-	-
Extracurricular activities	158,759	201,032	-	-
Capital outlay	9,943	-	-	19,212
Debt service:				
Principal retirement	-	-	260,000	-
Interest and fiscal charges	-	-	316,935	-
Total expenditures	7,305,794	714,366	583,554	456,003
Excess of revenues over (under) expenditures	(505,053)	861,505	(160,534)	70,758
Other financing sources (uses):				
Operating transfers in	156,351	47,535	181,800	-
Operating transfers out	(47,535)	(156,351)	-	(181,800)
Total other financing sources (uses)	108,816	(108,816)	181,800	(181,800)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(396,237)	752,689	21,266	(111,042)
Fund balances at beginning of year	90,829	64,730	7,781	1,919,051
Decrease in reserve for inventory	(32,633)	-	-	-
Fund balances (deficit) at end of year	\$ (338,041)	\$ 817,419	\$ 29,047	\$ 1,808,009

Fiduciary Funds	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 2,727,516
-	6,127,840
-	181,516
-	20,478
1,000	227,195
-	42,848
<u>1,000</u>	<u>9,327,393</u>
-	3,907,358
-	739,410
-	121,698
-	81,003
-	277,097
-	163,593
1,243	13,096
-	715,495
-	227,149
-	1,207,309
-	532,524
-	2,857
-	106,490
-	359,791
-	29,155
-	260,000
-	316,935
<u>1,243</u>	<u>9,060,960</u>
<u>(243)</u>	<u>266,433</u>
-	385,686
-	(385,686)
-	-
(243)	266,433
2,225	2,084,616
-	(32,633)
<u>\$ 1,982</u>	<u>\$ 2,318,416</u>

Newton Falls Exempted Village School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual-
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types		
	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Taxes	\$ 1,788,241	\$ 1,830,113	\$ 41,872
Intergovernmental	4,734,134	4,844,974	110,840
Interest	94,423	96,632	2,209
Tuition and fees	11,204	11,468	264
Extracurricular activities	2,992	3,054	62
Miscellaneous	12,755	13,051	296
Total revenues	6,643,749	6,799,292	155,543
Expenditures:			
Current:			
Instruction:			
Regular	4,028,484	3,802,418	226,066
Special	542,472	512,015	30,457
Vocational	125,010	117,981	7,029
Other	64,915	61,290	3,625
Support services:			
Pupils	287,620	271,485	16,135
Instructional staff	150,588	142,145	8,443
Board of education	12,541	11,834	707
Administration	745,165	703,347	41,818
Fiscal	223,427	210,873	12,554
Operation and maintenance of plant	900,635	850,108	50,527
Pupil transportation	614,500	580,020	34,480
Central	2,941	2,764	177
Operation of non-instructional services	-	-	-
Extracurricular activities	168,401	158,941	9,460
Capital outlay	10,518	9,943	575
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	7,877,217	7,435,164	442,053
Excess of revenues over (under) expenditures	(1,233,468)	(635,872)	597,596
Other financing sources (uses):			
Refund of prior year expenditures	31,825	31,825	-
Advances in	70,436	70,436	-
Advances out	(16,393)	(16,393)	-
Operating transfers in	154,406	156,351	1,945
Operating transfers out	(45,590)	(47,535)	(1,945)
Total other financing sources (uses)	194,684	194,684	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,038,784)	(441,188)	597,596
Fund balances at beginning of year	440,452	440,452	-
Prior year encumbrances appropriated	161,746	161,746	-
Fund balances at end of year	\$ (436,586)	\$ 161,010	\$ 597,596

See accompanying notes to the general purpose financial statements

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 562,347	\$ 562,347	\$ -	\$ 383,676	\$ 383,676	\$ -
793,048	793,048	-	45,840	45,840	-
-	-	-	-	-	-
222,871	222,871	-	-	-	-
4,070	4,070	-	-	-	-
<u>1,582,336</u>	<u>1,582,336</u>	<u>-</u>	<u>429,516</u>	<u>429,516</u>	<u>-</u>
93,192	93,170	22	-	-	-
291,476	224,639	66,837	-	-	-
-	-	-	-	-	-
18,093	18,093	-	-	-	-
-	-	-	-	-	-
28,391	21,929	6,462	-	-	-
-	-	-	-	-	-
26,267	25,602	665	-	-	-
19,330	13,279	6,051	6,908	6,619	289
195,929	45,275	150,654	-	-	-
17,946	17,946	-	-	-	-
10	10	-	-	-	-
115,107	107,732	7,375	-	-	-
230,191	220,084	10,107	-	-	-
-	-	-	-	-	-
-	-	-	260,000	260,000	-
-	-	-	344,408	316,935	27,473
<u>1,035,932</u>	<u>787,759</u>	<u>248,173</u>	<u>611,316</u>	<u>583,554</u>	<u>27,762</u>
<u>546,404</u>	<u>794,577</u>	<u>248,173</u>	<u>(181,800)</u>	<u>(154,038)</u>	<u>27,762</u>
-	-	-	-	-	-
2,807	2,807	-	-	-	-
(65,647)	(65,647)	-	-	-	-
47,535	47,535	-	181,800	181,800	-
(156,351)	(156,351)	-	-	-	-
<u>(171,656)</u>	<u>(171,656)</u>	<u>-</u>	<u>181,800</u>	<u>181,800</u>	<u>-</u>
374,748	622,921	248,173	-	27,762	27,762
153,096	153,096	-	-	-	-
25,014	25,014	-	-	-	-
<u>\$ 552,858</u>	<u>\$ 801,031</u>	<u>\$ 248,173</u>	<u>\$ -</u>	<u>\$ 27,762</u>	<u>\$ 27,762</u>

**Newton Falls Exempted Village School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual-
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	441,721	441,721	-
Interest	85,040	85,040	-
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Miscellaneous	-	-	-
Total revenues	526,761	526,761	-
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	190,984	79,774	111,210
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
<u>Support services:</u>			
Pupils	-	-	-
Instructional staff	-	-	-
Board of education	-	-	-
Administration	21,633	8,225	13,408
Fiscal	-	-	-
Operation and maintenance of plant	398,420	398,420	-
Pupil transportation	-	-	-
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	38,359	33,076	5,283
<u>Debt service:</u>			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	649,396	519,495	129,901
Excess of revenues over (under) expenditures	(122,635)	7,266	129,901
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	-	-	-
Advances in	-	-	-
Advances out	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(181,800)	(181,800)	-
Total other financing sources (uses)	(181,800)	(181,800)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(304,435)	(174,534)	129,901
Fund balances at beginning of year	1,930,265	1,930,265	-
Prior year encumbrances appropriated	12,666	12,666	-
Fund balances at end of year	\$ 1,638,496	\$ 1,768,397	\$ 129,901

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types			Totals (Memorandum Only)		
Expendable Trust Funds					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,734,264	\$ 2,776,136	\$ 41,872
-	-	-	6,014,743	6,125,583	110,840
-	-	-	179,463	181,672	2,209
-	-	-	11,204	11,468	264
1,000	1,000	-	226,863	226,925	62
-	-	-	16,825	17,121	296
<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>9,183,362</u>	<u>9,338,905</u>	<u>155,543</u>
-	-	-	4,312,660	3,975,362	337,298
-	-	-	833,948	736,654	97,294
-	-	-	125,010	117,981	7,029
-	-	-	83,008	79,383	3,625
-	-	-	287,620	271,485	16,135
-	1,010	(1,010)	178,979	165,084	13,895
1,243	1,243	-	13,784	13,077	707
-	-	-	793,065	737,174	55,891
-	-	-	249,665	230,771	18,894
-	-	-	1,494,984	1,293,803	201,181
-	-	-	632,446	597,966	34,480
-	-	-	2,951	2,774	177
-	-	-	115,107	107,732	7,375
-	-	-	398,592	379,025	19,567
-	-	-	48,877	43,019	5,858
-	-	-	260,000	260,000	-
-	-	-	344,408	316,935	27,473
<u>1,243</u>	<u>2,253</u>	<u>(1,010)</u>	<u>10,175,104</u>	<u>9,328,225</u>	<u>846,879</u>
<u>(243)</u>	<u>(1,253)</u>	<u>(1,010)</u>	<u>(991,742)</u>	<u>10,680</u>	<u>1,002,422</u>
-	-	-	31,825	31,825	-
-	-	-	73,243	73,243	-
-	-	-	(82,040)	(82,040)	-
-	-	-	383,741	385,686	1,945
-	-	-	(383,741)	(385,686)	(1,945)
-	-	-	<u>23,028</u>	<u>23,028</u>	<u>-</u>
(243)	(1,253)	(1,010)	(968,714)	33,708	1,002,422
2,225	2,225	-	2,526,038	2,526,038	-
-	-	-	199,426	199,426	-
<u>\$ 1,982</u>	<u>\$ 972</u>	<u>\$ (1,010)</u>	<u>\$ 1,756,750</u>	<u>\$ 2,759,172</u>	<u>\$ 1,002,422</u>

Newton Falls Exempted Village School District
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Operating revenues:</u>			
Sales	\$ 228,134	\$ -	\$ 228,134
<u>Operating expenses:</u>			
Salaries	138,590	-	138,590
Fringe benefits	63,920	-	63,920
Purchased services	11,716	-	11,716
Materials and supplies	25,869	-	25,869
Cost of sales	135,162	-	135,162
Depreciation	3,431	-	3,431
Total operating expenses	<u>378,688</u>	<u>-</u>	<u>378,688</u>
Operating income (loss)	(150,554)	-	(150,554)
<u>Non-operating revenues:</u>			
Federal donated commodities	13,394	-	13,394
Operating grants	126,850	-	126,850
Total non-operating revenues	<u>140,244</u>	<u>-</u>	<u>140,244</u>
Net income	(10,310)	-	(10,310)
Restated retained earnings at beginning of year	92,632	970	93,602
Retained earnings at end of year	<u>\$ 82,322</u>	<u>\$ 970</u>	<u>\$ 83,292</u>

See accompanying notes to the general purpose financial statements

Newton Falls Exempted Village School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 1999

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 228,765	\$ -	\$ 228,765
Cash payments to suppliers for goods and services	(166,225)	-	(166,225)
Cash payments to employees for services	(132,215)	-	(132,215)
Cash payments for employee benefits	(63,806)	-	(63,806)
Net cash provided by (used for) operating activities	(133,481)	-	(133,481)
<u>Cash flows from noncapital financing activities:</u>			
Operating grants	122,371	-	122,371
Advances in	13,586	-	13,586
Advances out	(4,959)	-	(4,959)
Net cash provided by noncapital financing activities	130,998	-	130,998
Net increase (decrease) in cash and cash equivalents	(2,483)	-	(2,483)
Cash and cash equivalents at beginning of year	9,080	970	10,050
Cash and cash equivalents at end of year	\$ 6,597	\$ 970	\$ 7,567
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</u>			
Operating income (loss)	(150,554)	-	\$ (150,554)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	3,431	-	3,431
Federal donated commodities	13,394	-	13,394
Change in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	(3,363)	-	(3,363)
Accounts receivable	631	-	631
Increase (decrease) in liabilities:			
Accounts payable	(17)	-	(17)
Accrued wages	(1,452)	-	(1,452)
Compensated absences payable	1,721	-	1,721
Intergovernmental payable	6,235	-	6,235
Due to other funds	(14)	-	(14)
Deferred revenue	(3,493)	-	(3,493)
Total adjustments	17,073	-	17,073
Net cash provided by (used for) operating activities	\$ (133,481)	\$ -	\$ (133,481)

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Newton Falls Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's three instructional/support facilities staffed by fifty-seven non-certificated employees and ninety-eight certificated full time teaching personnel, and six administrators, who provide services to 1,616 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The School District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, preschool 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 organizations' 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 organizations' 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.

Within the boundaries of the School District, Saints Mary and Joseph School is operated as a private school. State legislation provides funding to this private school. The School District receives the money and then disburses the money as directed by the private school. The accounting for the moneys is reflected in a special revenue fund of the School District. The School District does not have any component units.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

The School District is associated with the North Eastern Ohio Management Information Network, which is defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 13.

B. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

Proprietary Fund Types:

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-term Debt Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

C. Measurement Focus and Basis of Accounting

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

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, and student fees.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

D. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

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

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

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law advances are not required to be budgeted.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the balance sheet. During the fiscal year, investments were limited to overnight repurchase agreements and interest in Star Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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 initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year all investments of the School District had a maturity of three months or less.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds was not significant at the end of the current fiscal period. Inventories of proprietary funds consist of donated food, purchased food, and supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

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

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

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight line method over an estimated useful life of five to twenty years.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and all other grant requirements have been met. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

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

Entitlements

General Fund

State Foundation Program

School Bus Funding

State Equity Funding

State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Career Education

Classroom Maintenance

Tech Equity

Textbook Subsidy

Title I

Title VI

Title VI-B

Capital Projects

SchoolNet

Technology Grant

Reimbursable Grants

General Fund

Driver Education Reimbursement

Vocational Education Equipment Reimbursement

Proprietary Funds

Government Donated Commodities

National School Lunch Program

Grants and entitlements amounted to approximately sixty-three percent of the School District's operating revenue during the current fiscal year.

J. Short-term Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long term compensated absences accrual amount.

Accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the *general long-term debt account group*. *Vacation and sick leave for employees paid from proprietary funds* are recorded as an expense and liability of the fund.

L. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

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

M. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, textbooks and instructional materials, property taxes, and debt service.

O. Total Columns on General Purpose Financial Statements

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

P. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust 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 that:

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

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for all governmental fund types and expendable trust fund.

	<i>Excess of Revenues and Other Financing Sources Over (Under)</i>				
	<i>Expenditures and Other Financing Uses</i>				
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Expendable Trust</i>
<i>GAAP Basis</i>	\$ (396,237)	\$ 752,689	\$ 21,266	\$ (111,042)	\$ (243)
<i>Revenue Accruals</i>	100,812	9,272	6,496	-	-
<i>Expenditure Accruals</i>	65,930	(87,012)	-	(23,880)	-
<i>Encumbrances (Budget Basis)</i>					
<i>Outstanding at year end</i>	(211,693)	(52,028)	-	(39,612)	(1,010)
<i>Budget Basis</i>	<u>\$ (441,188)</u>	<u>\$ 622,921</u>	<u>\$ 27,762</u>	<u>\$ (174,534)</u>	<u>\$ (1,253)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;

Newton Falls Exempted Village School District
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 1999

4. Bonds and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above 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); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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.

Deposits:

At year end, the carrying amount of the School District's deposits and petty cash of \$1,000, was (\$184,900), and the bank balance was \$1,179. The bank balance was entirely covered by federal depository insurance.

Investments:

GASB Statement No.3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

Interest is legally required to be placed in the general fund and the building capital project fund. Interest revenue credited to the general fund during the fiscal year 1999 amounted to \$96,476, which includes \$66,999, assigned from other School District funds.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

The School District has invested funds in STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999. The School District's investment in STAR Ohio is an unclassified investment since it is not evidence by securities that exist in physical or book entry form.

	<u>Category</u> <u>III</u>	<u>Fair</u> <u>Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 721,047	\$ 721,047
Total Categorized	<u>\$ 721,047</u>	<u>721,047</u>
<u>Noncategorized Investments</u>		
State Treasurer's Pool		<u>2,619,125</u>
Total Investments		<u>\$ 3,340,172</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Trumbull 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 are available to finance the current year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$6,181 in the general fund, \$1,913 in the Emergency Levy special revenue fund, and \$1,285 in the Bond Retirement debt service fund and is recognized as revenue.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>1998 Assessed Value</u>	<u>1997 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 58,507,470	\$ 57,754,390
Commercial and Industrial	12,986,020	12,877,860
Public Utilities	5,610,760	5,313,120
<u>Tangible Personal Property</u>		
General	8,745,012	7,144,765
Public Utilities	83,470	77,180
Total	<u>\$ 85,932,732</u>	<u>\$ 83,167,315</u>

NOTE 6 - RECEIVABLES

Receivables at year end consisted of taxes, accounts (tuition and fees), interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The special revenue and enterprise fund's intergovernmental receivable at June 30, consisted of \$2,807 and \$19,472 respectively.

NOTE 7 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at year end follows:

<u>Classification</u>	<u>Balance</u>
Equipment	184,822
Less: accumulated depreciation	<u>(78,169)</u>
Net Fixed Assets	<u>\$ 106,653</u>

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Classification</u>	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30</u>
<i>Land and Land Improvements</i>	\$ 195,065	\$ -	\$ -	\$ 195,065
<i>Buildings</i>	9,507,500	1,589	-	9,509,089
<i>Improvements other than Buildings</i>	-	19,510	-	19,510
<i>Furniture and Equipment</i>	2,596,604	73,007	13,397	2,656,214
<i>Vehicles</i>	753,019	-	-	753,019
<i>Total</i>	<u>\$ 13,052,188</u>	<u>\$ 94,106</u>	<u>\$ 13,397</u>	<u>\$ 13,132,897</u>

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute nine percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$164,508, \$166,500, and \$147,294, respectively; thirty-five percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$107,504 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of ten percent for members and fourteen percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$531,496, \$544,968, and \$539,800, respectively; eighty-four percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$87,460 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently fourteen percent of covered payroll. The retirement board currently allocates employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$303,712 during the 1999 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$2,156 million at June 30, 1998, (latest information available). For the year ended June 30, 1998, the net health care costs paid by the STRS were \$219,224,000 and eligible benefit recipients totaled 91,999.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of seventy-five percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to fourteen percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the fourteen percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$58,518, which includes a surcharge of \$25,250 during the 1999 fiscal year.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, (latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the SERS's net assets available for payment of health care benefits was \$160.3 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

NOTE 11 - INTERFUND TRANSACTIONS

The District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

<u>Interfund receivable/payable</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service enterprise fund	13,586
General	Eisenhower special revenue fund	2,807
Public School Support special revenue fund	Student Activities agency fund	170
Total		<u>\$ 16,563</u>

<u>Due to/from other funds</u>		
<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
District Agency	General	\$ 3,196
District Agency	Auxiliary special revenue fund	29
District Agency	Title I special revenue fund	114
District Agency	Food Service enterprise fund	66
Total		<u>\$ 3,405</u>

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

NOTE 12 - LONG TERM DEBT

Changes in long-term obligations of the School District during the current fiscal year were as follows:

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>
<i>General Long-Term Debt</i>				
<i>General Obligation Bonds, 6.679% maturing on December 1, 2011</i>	\$ 5,020,000	\$ -	\$ 260,000	\$ 4,760,000
<i>State Constructin Loan, 0.000% maturing on December 1, 2011</i>	2,200,475	-	21,783	2,178,692
<i>Other Obligations</i>				
<i>Long-term compensated absences</i>	607,218	31,304	9,567	628,955
<i>Employer pension obligations</i>	61,261	60,744	61,261	60,744
<i>Total Other Obligations</i>	668,479	92,048	70,828	689,699
<i>Total General Long-Term Debt</i>	\$ 7,888,954	\$ 92,048	\$ 352,611	\$ 7,628,391

The annual requirements to amortize all bonds outstanding as of year end including interest payments of \$2,110,361 are as follows:

	<i>General Obligation Bonds</i>
2000	\$ 575,260
2001	573,165
2002	574,788
2003	574,943
2004	573,080
Thereafter	3,999,125
Total	\$ 6,870,361

The State Construction Loan represents money received from the State for construction. The School District must repay the State by levying a property tax of one-half mill until the 2009 tax year. At the end of this period, any remaining obligation is forgiven. Effective May 20, 1997, in any year in which the School District's adjusted valuation per pupil is less than the statewide median, no repayment would be required. In lieu of the repayment, the School District would be required to set aside the proceeds of the half-mill levy for facilities repair and maintenance. In any year in which the School District's per pupil valuation increases above the state-wide median, half of the levy proceeds will have to be used to repay the debt with the remaining half used for repairs and maintenance. For fiscal year 1999 the School District's adjusted valuation per pupil was less than the statewide median.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

The General Obligation Bonds Payable will be paid from the Bond Retirement debt service fund. Compensated absences and employer pension due to the School Employees Retirement System will be paid from the fund from which the person is paid.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

North Eastern Ohio Management Information Network (NEOMIN) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOMIN is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Trumbull County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges, and assessments as charged. NEOMIN is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOMIN are made from the general fund. During the current fiscal year the School District contributed \$22,126 to NEOMIN.

NOTE 14 - 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 year end.*

B. Litigation:

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

C. Other Contingencies:

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$4,575,654 of school foundation support for its general fund.

Newton Falls Exempted Village School District

Notes to the General Purpose Financial Statements

For the fiscal year ended June 30, 1999

Since the Court's ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies programs. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30.

<u>Description</u>	<u>Uniform</u>		<u>Total</u>
	<u>Food Service</u>	<u>School Supplies</u>	
<i>Operating revenues</i>	\$ 211,128	\$ 17,006	\$ 228,134
<i>Depreciation expense</i>	3,431	-	3,431
<i>Operating income (loss)</i>	(152,902)	2,348	(150,554)
<i>Operating grants</i>	126,850	-	126,850
<i>Donated commodities</i>	13,394	-	13,394
<i>Net income (loss)</i>	(12,658)	2,348	(10,310)
<i>Net working capital</i>	(22,342)	6,037	(16,305)
<i>Total assets</i>	138,653	6,037	144,690
<i>Compensated absences payable</i>	8,026	-	8,026
<i>Total equity</i>	76,285	6,037	82,322
<i>Encumbrances outstanding (budget basis) at June 30, 1999</i>	\$ 595	\$ -	\$ 595

NOTE 16 - FUND DEFICITS

As of June 30, 1999, the General fund had a fund deficit of \$338,041. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

Newton Falls Exempted Village School District
 Notes to the General Purpose Financial Statements
 For the fiscal year ended June 30, 1999

NOTE 17 - CHANGE IN FINANCIAL STATEMENT PRESENTATION

The School District reported assets that were below the threshold for fixed assets in fiscal year 1998. Therefore, the beginning balances in the general fixed asset account group and the food service enterprise fund were misstated. This situation requires a restatement of beginning balances as follows:

	<i>Enterprise Fund Type</i>	<i>General Fixed Asset Account Group</i>
<i>Retained earnings/account balance as previously stated, June 30, 1998</i>	\$ 110,961	\$ 13,814,402
<i>Restatement of retained earnings/account balance</i>	<u>(18,329)</u>	<u>(762,213)</u>
<i>Restated July 1, 1998</i>	<u>\$ 92,632</u>	<u>\$ 13,052,189</u>

NOTE 18 - STATUTORY RESERVES

The School District is required by State statute to annually set aside monies for the purchases of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Amounts are also to be set aside for budget stabilization if the School District's revenues increases three percent or more from the prior year.

Newton Falls Exempted Village School District
 Notes to the General Purpose Financial Statements
 For the fiscal year ended June 30, 1999

During the fiscal year ended June 30, 1999, the reserve activities were as follow:

	<i>Textbook</i>	<i>Capital</i>	<i>Budget</i>	
	<u><i>Reserve</i></u>	<u><i>Maintenance</i></u>	<u><i>Stabilization</i></u>	<u><i>Total</i></u>
<i>Set-aside Cash balance as of June 30, 1998</i>	\$ -	\$ -	\$ 45,245	\$ 45,245
Current Year Set-aside Requirements	115,407	115,407	57,704	184,518
Current Year Offset	(21,983)	-	-	(21,983)
Qualifying Disbursements	<u>(81,150)</u>	<u>(215,109)</u>	<u>-</u>	<u>(300,259)</u>
Total	<u>\$ 8,274</u>	<u>\$ (99,702)</u>	<u>\$102,949</u>	<u>\$ 11,521</u>
Cash Balance Carried Forward to FY 2000	<u>\$ 8,274</u>	<u>\$ -</u>	<u>\$102,949</u>	<u>\$ 111,223</u>

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR/ SUB GRANTOR: PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER
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U. S. Department of Agriculture

Passed-through the Ohio Department of Education:

Child Nutrition Cluster:

Food Distribution	10.550	N/A
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School Breakfast Program	10.553	045567-05-PU-98 045567-05-PU-99
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National School Lunch Program	10.555	045567-03-PU-98 045567-03-PU-99 045567-04-PU-98 045567-04-PU-99
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Total U.S. Department of Agriculture - Nutrition Cluster

U.S. Department of Education

Passed-through the Ohio Department of Education:

Title I - Grants to Local Educational Agencies	84.010	045567-C1-S1-98 045567-C1-S1-99
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Total Title I

Special Education - Grants to States	84.027	045567-6B-SF-98P 045567-6B-SF-99P
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Total Special Education

Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	045567-G2-S4-98
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Innovative Education Program Strategies	84.298	045567-C2-S1-99
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Total U.S. Department of Education

Total Federal Financial Assistance

See accompanying notes to the schedule of federal awards expenditures.

<u>FEDERAL CASH RECEIPTS</u>	<u>OTHER FEDERAL RECEIPTS</u>	<u>FEDERAL CASH DISBURSEMENTS</u>	<u>OTHER FEDERAL DISBURSEMENTS</u>
0	13,394	0	16,887
1,465	0	1,464	0
5,956	0	5,956	0
5,465	0	5,465	0
16,509	0	16,509	0
19,904	0	19,904	0
<u>66,063</u>	<u>0</u>	<u>66,063</u>	<u>0</u>
115,362	13,394	115,362	16,887
25,235	0	85,858	0
<u>223,474</u>	<u>0</u>	<u>155,178</u>	<u>0</u>
248,709	0	241,036	0
18,095	0	6,933	0
<u>66,660</u>	<u>0</u>	<u>55,128</u>	<u>0</u>
84,755	0	62,061	0
6,000	0	6,274	0
6,492	0	6,093	0
<u>345,956</u>	<u>0</u>	<u>315,464</u>	<u>0</u>
<u>461,318</u>	<u>13,394</u>	<u>430,826</u>	<u>16,887</u>

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF
FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9632
800-443-9271
Facsimile 330-797-9949

**Report of Independent Accountants on Compliance and on Internal Control Required
by *Government Auditing Standards***

Newton Falls Exempted Village School District
Trumbull County
909 1/2 Milton Blvd.,
Newton Falls, Ohio 44444-9707

To the Board of Education:

We have audited the financial statements of the Newton Falls Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 24, 2000.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

Newton Falls Exempted Village School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 24, 2000.

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



Jim Petro
Auditor of State

February 24, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Youngstown, Ohio 44503
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Facsimile 330-797-9949

**Report of Independent Accountants on Compliance with Requirements Applicable to
Each Major Federal Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Newton Falls Exempted Village School District
Trumbull County
909 1/2 Milton Blvd.,
Newton Falls, Ohio 44444-9707

To the Board of Education:

Compliance

We have audited the compliance of the Newton Falls Exempted Village School District, Trumbull 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 are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

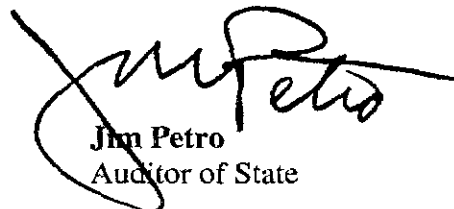
In our opinion, the District's complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Jim Petro
Auditor of State

February 24, 2000.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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):	Nutrition Cluster (School Breakfast Program CFDA# 553/National School Lunch Program CFDA# 10.555)
<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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Newton Falls Exempted Village School District

Trumbull 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.

By: *Susan Babbitt*

Date: **MAR 14 2000**