

**LEXINGTON LOCAL
SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 1999***

TRIMBLE, JULIAN & GRUBE, INC.

TJG

**LEXINGTON LOCAL
SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

*GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 1999*

**TRIMBLE, JULIAN & GRUBE, INC.
WILLIAM GRIFFITH, TREASURER**

TJG

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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STATE OF OHIO
OFFICE OF THE AUDITOR


JIM PETRO, AUDITOR OF STATE

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Board of Education
Lexington Local School District
Lexington, Ohio

We have reviewed the Independent Auditor's Report of the Lexington Local School District, Richland County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lexington Local School District is responsible for compliance with these laws and regulations.


JIM PETRO...
Auditor of State

January 5, 2000

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

Board of Education
Lexington Local School District
103 Clever Lane
Lexington, Ohio 44904

We have audited the accompanying general purpose financial statements of the Lexington Local School District, Richland 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 Lexington Local School District, Richland 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 December 16, 1999 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.

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 expenditures of federal awards 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.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
December 16, 1999

LEXINGTON LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$94,771	\$68,272	\$60,514 30,417	\$85,018	\$112,811	\$8,007	\$49,785		\$479,178 30,417
Cash with fiscal agent									
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent	5,955,903		179,552	598,816	762				6,734,271
Accounts	50,291	408							51,461
Accrued interest	316								316
Materials and supplies inventory	32,828				28,698				61,526
Restricted assets:									
Equity in pooled cash and cash equivalents	81,351								81,351
Property, plant and equipment (net of accumulated depreciation where applicable)								\$12,629,232	12,669,202
OTHER DEBITS:									
Amount available in Debt Service Fund									116,557
Amount to be provided for retirement of General Long-Term Obligations									2,937,368
Total assets and other debits.	\$6,215,460	\$68,680	\$270,483	\$683,834	\$182,241	\$8,007	\$49,785	\$12,629,232	\$3,053,925
									\$23,161,647

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Type	Account Groups			Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General	Fixed Assets	Long-Term Obligations		
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$10,998	\$13,629		\$7,874								\$32,501
Accrued wages and benefits	1,637,133	771			\$64,225							1,702,129
Compensated absences payable	380,910				73,721					\$1,435,388		1,890,019
Claims payable						\$255,041						255,041
Pension obligation payable	221,750				53,225					91,984		366,959
Deferred revenue	4,200,708			426,554	25,103							4,775,763
Due to other governments	5,857	11		401								6,380
Due to students							\$49,785					49,785
Matured bonds payable												30,417
General obligation bonds payable												300,000
Energy conservation bonds payable												1,210,000
Spending reserve notes payable	187,200											187,200
Obligation under capital lease					13,400					16,553		29,953
Total liabilities	6,644,556	14,411	153,926	434,829	229,674	255,041	49,785	3,053,925	12,629,232	(294,467)	12,629,232	10,836,147
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets									\$12,629,232			12,629,232
Accumulated deficit					(47,433)	(247,034)						(294,467)
Fund balances:												
Reserved for encumbrances	79,328	23,581		21,565								124,474
Reserved for supplies inventory	32,828											32,828
Reserved for debt service			64,965									64,965
Reserved for tax revenue unavailable for appropriation	1,538,642		51,592	155,838								1,746,072
Reserved for budget stabilization	81,351											81,351
Unreserved-undesignated	(2,161,245)	30,688		71,602								(2,058,955)
Total equity and other credits	(429,096)	54,269	116,557	249,005	(47,433)	(247,034)	\$49,785	12,629,232	\$12,629,232	\$3,053,925	12,325,500	\$23,161,647
Total liabilities, equity and other credits	\$6,215,460	\$68,680	\$270,483	\$683,834	\$182,241	\$8,007	\$49,785	\$12,629,232	\$12,629,232	\$3,053,925	\$23,161,647	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$7,372,392		\$419,335	\$472,774	\$8,264,501
Tuition	26,250				26,250
Earnings on investments	137,065				137,065
Other local revenues	164,450	\$285,284			449,734
Intergovernmental - State	7,280,036	89,154	22,415	69,060	7,460,665
Intergovernmental - Federal		176,478			176,478
Total revenues	14,980,193	550,916	441,750	541,834	16,514,693
Expenditures:					
Current:					
Instruction:					
Regular	7,496,633	115,645		462,584	8,074,862
Special	875,909	80,044		597	956,550
Other	194,370				194,370
Support services:					
Pupil	383,036	1,770			384,806
Instructional staff	862,801	62,036			924,837
Board of Education	3,567				3,567
Administration	1,241,331	80,368		13,750	1,335,449
Fiscal	369,711	1,126	2,448	15,819	389,104
Operations and maintenance	1,063,005	5,000		171,162	1,239,167
Pupil transportation	745,612	4,368		87,313	837,293
Central	1,820				1,820
Community services		636		10,041	10,677
Extracurricular activities	385,716	189,391			575,107
Debt service:					
Principal retirement	15,265		280,000		295,265
Interest and fiscal charges	80,522		92,474		172,996
Total expenditures	13,719,298	540,384	374,922	761,266	15,395,870
Excess of revenues over (under) expenditures	1,260,895	10,532	66,828	(219,432)	1,118,823
Fund balance (Deficit), July 1	(1,722,819)	43,737	49,729	468,437	(1,160,916)
Increase in reserve for inventory	32,828				32,828
Fund balance (Deficit), June 30	(\$429,096)	\$54,269	\$116,557	\$249,005	(\$1,128,088)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LExINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	\$5,994,875	\$5,994,825	\$0				\$167,021	\$167,021	\$0	\$520,840	\$520,840	\$0	\$6,682,686	\$6,682,686	\$0
Tuition	27,483	27,483	0							27,483	27,483	0	27,483	27,483	0
Earnings on investments	136,749	136,749	0							136,749	136,749	0	136,749	136,749	0
Other local revenues	114,090	114,090	0	\$281,960	\$281,960	\$0	22,415	22,415	0	69,060	69,060	0	396,050	396,050	0
Intergovernmental - State	7,280,036	7,280,036	0	89,154	89,154	0							7,460,665	7,460,665	0
Intergovernmental - Federal				166,109	166,109	0							166,109	166,109	0
Total revenues	13,553,183	13,553,183	0	537,223	537,223	0	189,436	189,436	0	589,900	589,900	0	14,869,742	14,869,742	0
Expenditures:															
Current:															
Instruction:															
Regular	7,671,067	7,617,494	53,573	114,216	112,370	1,846			1,846	489,519	482,825	6,694	8,274,802	8,212,689	62,113
Special	830,819	836,039	(5,220)	81,663	81,593	70			70	680	671	9	913,162	938,373	(25,211)
Other	71,138	199,121	(127,983)										71,138	199,121	(127,983)
Support services:															
Pupil	420,546	387,774	32,772	2,406	2,263	141							422,932	390,039	32,913
Instructional staff	597,403	676,332	(78,929)	63,905	70,269	(6,364)							661,308	746,601	(85,293)
Board of Education	360	3,615	(3,255)										360	3,615	(3,255)
Administration	1,368,810	1,281,717	87,093	84,166	80,988	3,178	4,000	2,337	1,663	13,941	13,750	191	1,466,917	1,376,055	90,862
Fiscal	390,574	351,361	39,213	1,126	1,126	0				15,632	15,418	214	411,332	370,242	41,090
Operations and maintenance	1,089,300	1,089,399	(99)	5,020	5,000	20				194,125	191,470	2,655	1,288,425	1,286,069	2,356
Pupil transportation	743,382	734,854	8,528	16,300	7,725	8,575				89,314	88,093	1,221	848,996	830,672	18,324
Central	2,700	1,807	893	670	636	34				10,180	10,041	139	2,700	1,807	893
Community services	401,505	390,742	10,763	211,020	206,936	4,084							10,677	10,677	0
Extracurricular activities													612,525	597,678	14,847
Debt service:															
Principal retirement	1,944,000	1,944,000	0				150,000	150,000	0	131,802	130,000	1,802	2,225,802	2,224,000	1,802
Interest and fiscal changes	88,722	78,513	10,209				20,156	20,156		73,321	72,318	1,003	182,199	170,987	11,212
Total expenditures	15,620,346	15,612,988	7,358	580,472	568,508	11,964	174,156	172,493	1,663	1,018,514	1,004,386	13,928	17,393,488	17,338,575	54,913
Excess of revenues over (under) expenditures	(2,067,163)	(2,059,805)	7,358	(43,249)	(31,285)	11,964	15,280	16,943	1,663	(428,614)	(414,686)	13,928	(2,523,746)	(2,488,833)	34,913
Other financing sources (uses):															
Refund of prior year's expenditures	4,919	4,919	0	2,914	2,914	0							7,833	7,833	0
Proceeds of notes	2,131,200	2,131,200	0										2,131,200	2,131,200	0
Total other financing sources (uses)	2,136,119	2,136,119	0	2,914	2,914	0							2,139,033	2,139,033	0
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	68,956	76,314	7,358	(40,335)	(28,371)	11,964	15,280	16,943	1,663	(428,614)	(414,686)	13,928	(384,713)	(349,800)	34,913
Fund balance, July 1	(177,107)	(177,107)	0	26,126	26,126	0	43,571	43,571	0	408,652	408,652	0	301,242	301,242	0
Prior year encumbrances appropriated	187,345	187,345	0	34,944	34,944	0				61,613	61,613	0	283,902	283,902	0
Fund balance, June 30	\$79,194	\$86,552	\$7,358	\$20,735	\$32,699	\$11,964	\$58,851	\$60,514	\$1,663	\$41,651	\$53,579	\$13,928	\$200,431	\$235,344	\$34,913

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$42,435		\$42,435
Sales/charges for services	508,679	\$1,309,458	1,818,137
 Total operating revenues	 551,114	 1,309,458	 1,860,572
Operating expenses:			
Personal services	426,293	255,041	681,334
Contract services	5,620		5,620
Materials and supplies	268,799		268,799
Depreciation	17,068		17,068
Claims expense		1,154,696	1,154,696
 Total operating expenses	 717,780	 1,409,737	 2,127,517
Operating loss	(166,666)	(100,279)	(266,945)
Nonoperating revenues (expenses):			
Operating grants	94,137		94,137
Interest and fiscal charges	(1,689)		(1,689)
Federal commodities	62,264		62,264
Interest revenue	533	832	1,365
 Total nonoperating revenues	 155,245	 832	 156,077
Net loss	(11,421)	(99,447)	(110,868)
Accumulated deficit July 1	(36,012)	(147,587)	(183,599)
Accumulated deficit June 30	(\$47,433)	(\$247,034)	(\$294,467)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$42,435		\$42,435
Cash received from sales/service charges	507,917	\$1,309,458	1,817,375
Cash payments for personal services	(393,245)		(393,245)
Cash payments for contract services	(5,620)	(259,932)	(265,552)
Cash payments supplies and materials	(208,926)		(208,926)
Cash payments for claims expenses		(1,016,953)	(1,016,953)
Net cash provided by (used in) operating activities	<u>(57,439)</u>	<u>32,573</u>	<u>(24,866)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	94,137		94,137
Cash payments used in repayment of interfund loans		(25,398)	(25,398)
Net cash provided by (used in) noncapital financing activities	<u>94,137</u>	<u>(25,398)</u>	<u>68,739</u>
Cash flows from capital and related financing activities:			
Principal payments-capital lease	(6,783)		(6,783)
Interest payments-capital lease	(1,689)		(1,689)
Acquisition of capital assets	(27,629)		(27,629)
Net cash used in capital and related financing activities	<u>(36,101)</u>		<u>(36,101)</u>
Cash flows from investing activities:			
Interest received	533	832	1,365
Net cash provided by investing activities	<u>533</u>	<u>832</u>	<u>1,365</u>
Net increase in cash and cash equivalents	<u>1,130</u>	<u>8,007</u>	<u>9,137</u>
Cash and cash equivalents at beginning of year	111,681	0	111,681
Cash and cash equivalents at end of year	<u>\$112,811</u>	<u>\$8,007</u>	<u>\$120,818</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	(\$166,666)	(\$100,279)	(\$266,945)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	17,068		17,068
Federal donated commodities	62,264		62,264
Changes in assets and liabilities:			
Decrease in supplies inventory	9,293		9,293
Increase in accounts receivable	(762)		(762)
Decrease in accounts payable	(2,220)		(2,220)
Increase in accrued wages & benefits	7,599		7,599
Decrease in compensated absences payable	(4,970)		(4,970)
Increase in pension obligation payable	53,225		53,225
Decrease in due to other governments	(22,806)		(22,806)
Increase in claims payable		132,852	132,852
Decrease in deferred revenue	(9,464)		(9,464)
Net cash provided by (used in) operating activities	<u>(\$57,439)</u>	<u>\$32,573</u>	<u>(\$24,866)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lexington Local School District (the "District") is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for providing public education to the residents of the District.

The School District was established in the early 1900's through the consolidation of existing land areas and school districts. The District serves an area of approximately 66 square miles. It is located in Richland and Morrow Counties, and includes the Village of Lexington, portions of the City of Mansfield, and Perry, Troy, Washington, and Mansfield Townships in Richland County and Troy and North Bloomfield Townships in Morrow County.

The District ranks as the 173rd largest by total enrollment among the 612 districts in the State. It currently operates five instructional facilities. The District employs 108 non-certified and 176 certified employees to provide services to approximately 2,876 students in grades K through 12 and various community groups.

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 body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District:

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINT VENTURE WITHOUT EQUITY INTEREST:

North Central Ohio Computer Cooperative (NCOCC)

NCOCC is a joint venture among 21 school districts and 3 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. NCOCC is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Pioneer Career and Technology JVSD, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

JOINTLY GOVERNED ORGANIZATION:

Pioneer Career and Technology Center

The Pioneer Career and Technology Center, a Vocational School District 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 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pioneer Career and Technology Center, the Treasurer, Jerry A. Payne, at 27 Ryan Road, Shelby, Ohio 44875.

The District is also a member of the Ohio School Boards Association Workers' Compensation Group Rating Program (an insurance purchasing pool), described in Note 11.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General Fund - The General Fund is the general 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.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures 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 and trust funds).

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has 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 is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary fund is an Agency Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual.

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 general nature, the following account groups are used:

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

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include interest, grants, and accounts (student fees and rent). Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2000 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced as of June 30. In Proprietary funds, unused donated commodities are reported as deferred revenue since title for these commodities do not pass to the District until the commodities are used.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to 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 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District's Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation measure to be effective until no later than October 1 of each year.) Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 1999 in the following amounts:

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

	<u>Increase</u>
General Fund	\$ 15,250
Special Revenue Funds	98,969
Capital Project Funds	27,900
Enterprise Funds	60,476
Internal Service Fund	163,633
Agency Fund	40,722

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental fund types, encumbrances outstanding at year end, not recognized as accounts payable, appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for Enterprise funds at fiscal year end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) which are reported at fair value. Fair value is based on quoted market prices.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District invested funds in STAR Ohio during fiscal year 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 December 31, 1999.

Under existing Ohio statute all investment earnings are assigned to the general fund except for those specifically related to the food service and employee benefits self-insurance fund. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$137,065 which includes \$109,112 assigned from other District funds.

An analysis of the District's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amount of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure or interest on debt issued to construct general fixed assets in the account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	10 - 20
Vehicles	4 - 6

H. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services

Teacher Development

Drug Free Schools

Management Information Systems

Title VI-B

Title I

Title VI

Textbook/Instructional Material Subsidy

Telecom

Capital Projects Fund

SchoolNet

Reimbursable Grants

General Fund

School Bus Purchases

Driver Education

Proprietary

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to over 42% of the District's operating revenue during the 1999 fiscal year.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The District had no operating transfers during fiscal year 1999.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16 Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of Governmental fund type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, debt service, tax revenue or advance unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Statutory Reserves

The District is required by state law to set aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$81,351	\$ 81,351
Current year set-aside requirement	220,974	220,974	0	441,948
Qualifying disbursements	<u>(220,974)</u>	<u>(220,974)</u>	<u>0</u>	<u>(441,948)</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$81,351</u>	<u>\$ 81,351</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$81,351</u>
Total restricted assets	<u>\$81,351</u>

N. Statement of Cash Flows

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of the statement of cash flows, the proprietary funds and nonexpendable trust fund consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District has presented a statement of cash flows for its Proprietary funds.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 2.M. for statutory reserves.

R. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (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.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

In fiscal 1997, the District implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Recent changes in the Internal Revenue Code require that deferred compensation plan assets be placed in trust for the exclusive benefit of employees and their beneficiaries by no later than January 1, 1999. Statement No. 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. The Ohio Public Employees Deferred Compensation Plan during fiscal year 1999 placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled \$1,729,448 as of June 30, 1999 have been excluded from the District's financial statements.

B. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficit:

	<u>Deficit Balance</u>
<u>General Fund</u>	\$(429,096)
<u>Special Revenue Fund</u>	
Teacher Development	(23)
Title I	(170)
Title VI	(92)
<u>Enterprise Fund</u>	
Food Service	(68,102)
<u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	(247,034)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. These deficit balances are caused by the application of GAAP. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

ASSETS

Accounts receivable	\$105
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LIABILITIES

Accounts payable	\$1,667
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NOTE 4 - EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Interim monies may 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) 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 and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end the carrying amount of the District's deposits was \$210,282 and the bank balance was \$205,408 (both amounts are exclusive of payroll clearance accounts). The bank balance covered by federal depository insurance.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the 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 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 District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
Not Subject to Categorization:	
Investment in State	
Treasurer's Investment Pool	<u>\$377,664</u>
 Total Investments	 <u>\$377,664</u>

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 560,529	\$ ---
Investments of the Cash Management Pool:		
Cash on hand	(3,000)	
Cash with fiscal agent	30,417	
State Treasurer's Investment Pool	<u>(377,664)</u>	<u>377,664</u>
GASB Statement No. 3	<u>\$ 210,282</u>	<u>\$377,664</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed value upon which the fiscal year 1999 taxes were collected was \$238,975,260. Agricultural/Residential and public utility real estate represented 76.1% or \$182,005,660 of this total; Commercial & Industrial real estate represented 12.5% or \$29,778,900 of this total; public utility tangible represented 4.5% or \$10,727,000 of this total and general tangible property 6.9% or \$16,463,700 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$35.60 per \$1,000.00 of assessed valuation, \$2.70 per \$1,000.00 of assessed valuation for permanent improvements and \$0.75 per \$1,000.00 of assessed valuation for debt retirement.

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 30.

The Richland and Morrow County Treasurers collect property tax on behalf of the District. The Richland and Morrow County Auditors periodically remit to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$5,955,903
Accounts	50,291
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	179,552
 <u>Capital Projects Fund</u>	
Taxes - current and delinquent	598,816

NOTE 7 - FIXED ASSETS

A summary of the changes in the general fixed asset account group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/Improvements	\$ 184,026			\$ 184,026
Buildings/Improvements	7,962,600	\$100,501		8,063,101
Furniture/Equipment	2,947,753	510,432	\$ (76,247)	3,381,938
Vehicles	<u>814,076</u>	<u>243,056</u>	<u>(56,965)</u>	<u>1,000,167</u>
 Total	 <u>\$11,908,455</u>	 <u>\$853,989</u>	 <u>\$(133,212)</u>	 <u>\$12,629,232</u>

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and equipment	\$168,493
Less: accumulated depreciation	<u>(128,523)</u>
Net fixed assets	<u>\$ 39,970</u>

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the District entered into a capital lease for the acquisition of equipment and furniture and fixtures. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the combined statement of revenues, expenditures and changes in fund balances for the governmental fund types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled \$15,265. This amount is reflected as debt service principal retirement in the general fund.

The following is an analysis of equipment under capital lease as of June 30, 1999:

	General Fixed Assets
Mowers	\$32,050
Computers	<u>40,000</u>
Total	<u>\$72,050</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

	<u>General Long-Term Obligations</u>
<u>Fiscal Year</u>	<u>Amount</u>
2000	<u>\$17,274</u>
Total minimum lease payments	17,274
Less: amount representing interest	<u>(721)</u>
Present value of future minimum lease payments	<u>\$16,553</u>

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

Lunchroom fixed assets consisting of equipment and fixtures have been capitalized in the lunchroom fund in the amount of \$26,972. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the fund. Principal payments in fiscal year 1999 totaled \$6,783.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999:

<u>Fiscal Year Ending June 30,</u>	<u>Totals</u>
2000	\$ 7,513
2001	<u>7,513</u>
Total	15,026
Less: Amount Representing Interest	<u>(1,626)</u>
Present Value of Net Minimum Lease Payments	<u>\$13,400</u>

NOTE 9 - LONG-TERM DEBT

A. The following is a description of the District's bond and notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bond/Notes Outstanding July 1, 1998</u>	<u>Retired In 1999</u>	<u>Bond/Notes Outstanding June 30, 1999</u>
Building Addition General Obligation Bond	5.375%	2/1/77	12/01/00	\$ 450,000	\$(150,000)	\$ 300,000
Energy Conservation Note	5.84%	7/15/96	9/15/06	920,000	(80,000)	840,000
Energy Conservation Note	5.4%	8/15/94	8/01/04	<u>420,000</u>	<u>(50,000)</u>	<u>370,000</u>
				<u>\$1,790,000</u>	<u>\$(280,000)</u>	<u>\$1,510,000</u>

Building Addition General Obligation Bond - On February 1, 1977, the District issued voted general obligation bonds for the purpose of an addition and improvement to buildings. The bonds were issued for a seventeen year period with final maturity at December 1, 2000. The bonds will be retired from the debt service fund.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 9 - LONG-TERM DEBT - (Continued)

Energy Conservation Loan - On July 15, 1996, the District issued \$995,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2007. The loan will be retired from the debt service fund.

Energy Conservation Loan - On August 15, 1994, the District issued \$550,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2005. The loan will be retired from the debt service fund.

- B. The following is a summary of the District's future annual debt service requirements to maturity for energy conservation notes and general obligation bond:

<u>Year Ending June 30</u>	<u>Principal on Notes/Bond</u>	<u>Interest on Notes/Bond</u>	<u>Total</u>
2000	\$ 290,000	\$ 77,183	\$ 367,183
2001	295,000	61,356	356,356
2002	155,000	48,945	203,945
2003	165,000	39,890	204,890
2004	170,000	30,358	200,358
2005 - 2007	<u>435,000</u>	<u>35,493</u>	<u>470,493</u>
Total	<u>\$1,510,000</u>	<u>\$293,225</u>	<u>\$1,803,225</u>

- C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term obligations account groups. Compensated absences are reported net of actual increases and decreases due to the practicality of determining this value. Compensated absences will ultimately be paid from the fund from which the employee is paid. Capital leases will be paid from the General Fund.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 9 - LONG-TERM DEBT - (Continued)

	<u>Balance</u> <u>June 30, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated absences	\$1,835,621		\$(400,233)	\$1,435,388
Pension obligation payable	104,519	\$91,984	(104,519)	91,984
General obligation bond payable	450,000		(150,000)	300,000
School Building Energy Conservation notes payable	1,340,000		(130,000)	1,210,000
Capital leases payable	<u>31,818</u>		<u>(15,265)</u>	<u>16,553</u>
Total	<u>\$3,761,958</u>	<u>\$91,984</u>	<u>\$(800,017)</u>	<u>\$3,053,925</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$21,324,330 (including available funds of \$116,557) and an unvoted debt margin of \$238,975.

NOTE 10 - NOTES PAYABLE

During fiscal year 1999, the District issued spending reserve notes for \$187,200 for the purpose of paying current expenses. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. These notes are a liability of the general fund, which received the proceeds. These notes will be repaid in fiscal year 2000.

The District issued \$1,944,000 tax revenue anticipation notes on July 1, 1998 to meet cash flow needs. The notes matured and were repaid on June 30, 1999. No amounts were outstanding at June 30, 1999.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 10 - NOTES PAYABLE - (Continued)

The following is a description of the notes payable:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 1998</u>	<u>Issued in 1999</u>	<u>Retired in 1999</u>	<u>Balance June 30, 1999</u>
Spending reserve notes	9/23/98	5.354%	\$ ---	\$ 187,200	\$ ---	\$187,200
Tax revenue anticipation notes	7/1/98	4.05%	<u>---</u>	<u>1,944,000</u>	<u>(1,944,000)</u>	<u>---</u>
Total			<u>\$ ---</u>	<u>\$2,131,200</u>	<u>\$(1,944,000)</u>	<u>\$187,200</u>

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. Settled claims have not exceeded commercial coverage in any of the past three years.

The District had the following coverages in effect for fiscal year 1999:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 1,000,000	\$ ---
Aggregate	5,000,000	---
Fleet:		
Comprehensive	1,000,000	100
Collision	1,000,000	250
Building and contents	35,835,389	500

Settled claims have not exceeded this commercial coverage in any of the past three years.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Health Benefits

The claims liability of \$255,041 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1999	\$122,189	\$1,287,548	\$(1,154,696)	\$255,041
1998	116,043	810,178	(804,032)	122,189

C. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through the Community National Life Insurance Company.

D. OSBA Group Workers' Compensation Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his/her designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - RISK MANAGEMENT - (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. The worker's compensation experience of the participating school districts is calculated as one and a common premium rate is applied to all participants. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" 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 selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$ 508,679	\$42,435		\$551,114
Depreciation	17,068			17,068
Operating income (loss)	(169,458)	3,017	\$ (225)	(166,666)
Operating grants	94,137			94,137
Federal donated commodities	62,264			62,264
Net income (loss)	(14,213)	3,017	(225)	(11,421)
Net working capital	(19,520)	19,376	1,293	1,149
Total assets	161,572	19,376	1,293	182,241
Long-term liabilities payable from fund revenues	88,552			88,552
Total equity (deficit)	(68,102)	19,376	1,293	(47,433)
Encumbrances outstanding as of June 30, 1999	11,202			11,202

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The 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 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$317,162, \$276,934, and \$256,138, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$156,948, 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.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,141,171, \$1,136,249, and \$1,072,931, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$182,232, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$652,098 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,000 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$143,164 during the 1999 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 the GAAP basis are that:

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

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 76,314	\$(28,371)	\$ 16,943	\$(414,686)
Net adjustment for revenue accruals	1,427,010	13,693	252,314	(48,066)
Net adjustment for expenditure accruals	1,804,120	(7,449)	(202,429)	213,881
Net adjustment for other sources/uses	(2,136,119)	(2,914)	---	---
Adjustment for encumbrances	<u>89,570</u>	<u>35,573</u>	<u>---</u>	<u>29,439</u>
GAAP basis	<u>\$ 1,260,895</u>	<u>\$ 10,532</u>	<u>\$ 66,828</u>	<u>\$(219,432)</u>

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is not involved in litigation as either plaintiff or defendant.

C. School Funding Decision

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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received total support of \$6,404,133.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the District to borrow against amounts anticipated to be collected from tangible personal property taxes after the District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the District borrowed \$187,200 under this program. This amount will be repaid during the subsequent fiscal year. Historically, the District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 16 - CONTINGENCIES - (Continued)

Since the Supreme Court 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 County 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. At this time, 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 District is unable to determine the effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 17 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting, and educational statistics reporting.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 17 - YEAR 2000 ISSUE - (Continued)

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The equipment inventory and vehicle inventory system software supported with the OECN State Software is compliant with the Year 2000 beginning with the March 1999 release of SAS V2.0.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Richland County collects property taxes for distribution to the District. Richland County is responsible for remediating its tax collection system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

In November, 1999, the District passed an emergency levy which included a renewal of \$1,605,000 and an additional \$1,100,000.

The District issued tax revenue anticipation notes dated July 1, 1999, in the amount of \$2,145,000 that mature on June 30, 2000.

SUPPLEMENTAL DATA

**LEXINGTON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$53,630		\$63,094
(A) (C) National School Lunch Program	10.555	N/A	\$90,711		\$90,711	
Total U. S. Department of Agriculture- Nutrition Cluster			90,711	53,630	90,711	63,094
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010 84.010	C1-S1 98 C1-S1 99			59 65,921	
Total Title I			66,207		65,980	
Title VI-B - Education of the Handicapped Act	84.027 84.027	6B-SF 98 P 6B-SF 99 P		71,912	956 70,131	
Total Special Education Cluster			71,912		71,087	
Safe and Drug-Free Schools State Grants	84.186 84.186	DR-S1 98 DR-S1 99		15,082	3,765 10,941	
Total Safe and Drug-Free Schools Grant			15,082		14,706	
Title VI- Innovative Educational Program Strategies	84.298 84.298	C2-S1 98 C2-S1 99		10,823	221 10,823	
Total Title VI-Innovative Educational Program Strategies			10,823		11,044	
PASSED THROUGH THE SPRINT TELEPHONE COMPANY						
E-Rate Telecommunications Grant	88.001	N/A	8,397		8,397	
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION AND MID-OHIO EDUCATIONAL SERVICE CENTER:						
Eisenhower Professional Development Grant	84.281	N/A	10,367		10,367	
Total Mid-Ohio Educational Services			10,367		10,367	
Total U. S. Department of Education			182,788		181,581	
Total Federal Financial Assistance			273,499	53,630	272,292	63,094

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Comingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) This schedule was prepared on the cash basis of accounting.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
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WORTHINGTON, OHIO 43085

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Report on Compliance And on Internal Control Required By *Government Auditing Standards*

Board of Education
Lexington Local School District
103 Clever Lane
Lexington, Ohio 44904

We have audited the general purpose financial statements of Lexington Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 16, 1999. 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 Lexington Local School District's general purpose 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, which we have reported to management of Lexington Local School District in a separate letter dated December 16, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lexington Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Lexington Local School District in a separate letter dated December 16, 1999.

This report is intended for the information and use of the management and Board of Education of the Lexington Local School District, 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.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
December 16, 1999

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Its Major Program And Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education
Lexington Local School District
103 Clever Lane
Lexington, Ohio 44904

Compliance

We have audited the compliance of Lexington Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Lexington Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lexington Local School District's management. Our responsibility is to express an opinion on Lexington Local School 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, *Audit 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 Lexington Local School 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 Lexington Local School District's compliance with those requirements.

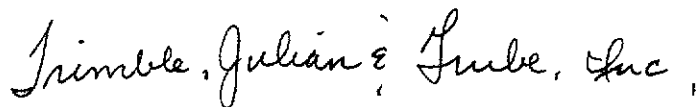
In our opinion, Lexington Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Lexington Local School 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 Lexington Local School 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 management, the Board of Education of Lexington Local School District, 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.



Trimble, Julian & Grube, Inc.
December 16, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**LEXINGTON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Nutrition Grant Cluster: Food Distribution, CFDA #10.550; National School Lunch Program, CFDA #10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	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

**LEXINGTON LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY
 STATUS OF PRIOR AUDIT FINDINGS**

<u>NONCOMPLIANCE</u>	<u>STATUS</u>	<u>EXPLANATION IF NOT FULLY IMPLEMENTED</u>
Section 5705.39, Revised Code, requires that total estimated resources from each fund be greater than appropriations.	Corrected	N/A
<u>REPORTABLE CONDITIONS</u>		
The District should remediate, test, and validate all computer equipment for Year 2000 issues.	Partially Corrected	The District continues to test and update the computer system as necessary.
The District did not timely reconcile the self-insurance bank account.	Corrected	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

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LEXINGTON LOCAL SCHOOL DISTRICT

RICHLAND 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: JAN 13 2000