

NEW LEXINGTON CITY SCHOOL DISTRICT

SOUTHEAST REGION, PERRY COUNTY

SINGLE AUDIT

July 1, 1999 - June 30, 2000

FISCAL YEAR AUDITED UNDER GAGAS: 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
New Lexington City School District
New Lexington, Ohio 43764

We have reviewed the Independent Auditor's Report of the New Lexington City School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 1999 through June 30, 2000. 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 New Lexington City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 17, 2000

**New Lexington City School District
Perry County**

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Board of Education
New Lexington City School District
New Lexington, Ohio 43764

Independent Auditors' Report

We have audited the accompanying financial statements of New Lexington City School District, Perry County, (the District) as of and for the year ended June 30, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note A, the District prepares its financial statements on the basis of accounting formally prescribed or permitted by the Auditor of State of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District, as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note A.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
August 22, 2000

New Lexington City School District
Perry County

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH BALANCES -
ALL FUND TYPES

June 30, 2000

Cash in banks	\$	49,418	
Less outstanding checks		<u>(32,804)</u>	\$ 16,614
Investments			9,081,820
Certificates of deposits			<u>2,049,010</u>
Total			<u>\$ 11,147,444</u>

CASH BALANCES BY FUND TYPE

Governmental Funds			
General	\$	1,070,770	
Special Revenue		318,424	
Debt Service		62,658	
Capital Projects		<u>9,455,697</u>	\$ 10,907,549
Proprietary Funds			
Enterprise		3,677	
Internal Service		<u>188,104</u>	191,781
Fiduciary Funds			
Expendable Trust		4,087	
Agency		<u>44,027</u>	<u>48,114</u>
Total			<u>\$ 11,147,444</u>

The accompanying notes are an integral part of this statement.

New Lexington City School District
Perry County

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS

Year ended June 30, 2000

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Receipts						
Receipts from local sources						
Taxes	\$ 1,917,776	\$ 40,959	\$ 291,626	\$ -	\$ -	\$ 2,250,361
Tuition	8,129	-	-	-	-	8,129
Earnings on investments	110,565	364	15,594	249,245	-	375,768
Extracurricular activities	-	63,607	-	-	-	63,607
Classroom materials and fees	26,110	-	-	-	-	26,110
Miscellaneous	57,364	106,235	-	6,465	20,209	190,273
Receipts from state sources						
Unrestricted Grants-in-Aid	7,802,524	4,919	250,510	-	-	8,057,953
Restricted Grants-in-Aid	57,434	252,071	-	5,957,307	-	6,266,812
Revenue on behalf of the District	64,105	-	-	-	-	64,105
Receipts from federal sources						
Restricted Grants-in-Aid	23,958	727,745	-	-	-	751,703
Total receipts	10,067,965	1,195,900	557,730	6,213,017	20,209	18,054,821
Disbursements						
Disbursements						
Instruction						
Regular	4,262,634	179,856	-	58,361	-	4,500,851
Special	920,209	419,786	-	-	-	1,339,995
Vocational Education	501,883	4,372	-	-	-	506,255
Adult/Continuing	10,253	-	-	-	-	10,253
Other instruction	67,758	-	-	-	-	67,758
Supporting services						
Pupils	377,693	94,000	-	-	-	471,693
Instructional staff	211,787	80,259	-	3,060	-	295,106
Board of Education	232,827	476	-	-	-	233,303
Administration	1,004,685	70,226	-	-	-	1,074,911
Fiscal services	226,105	8,050	9,526	573	-	244,254
Business	8,642	37,742	-	-	23,668	70,052
Operation and maintenance - plant	846,646	134	-	115,378	-	962,158
Pupil transportation	820,287	-	-	-	-	820,287
Central	53,042	-	-	15,058	-	68,100
Operation of non-instruction services						
Food services operations	-	1,500	-	-	-	1,500
Community services	-	62,161	-	-	-	62,161
Extracurricular activities						
Academic and subject oriented activities	147,559	-	-	-	-	147,559
Sports oriented	18,190	101,347	-	-	-	119,537
Facilities acquisition and construction services						
Site improvement	-	-	-	227	-	227
Architecture and engineering	-	-	-	775,409	-	775,409
Building acquisition and construction	-	-	-	336,153	-	336,153
Other facilities acquisition and construction	-	-	-	83	-	83
Debt service						
Repayment of debt	-	-	4,622,643	-	-	4,622,643
Total disbursements	9,710,200	1,059,909	4,632,169	1,304,302	23,668	16,730,248
Excess of receipts over (under) disbursements	357,765	135,991	(4,074,439)	4,908,715	(3,459)	1,324,573
Other financing sources (uses)						
Other financing sources (uses)						
Proceeds from the sale of bonds	-	-	3,870,000	3,000	-	3,873,000
Proceeds from the sale of assets	2,391	-	-	-	-	2,391
Transfers - in	59,000	54,698	-	-	275	113,973
Transfers - out	(59,000)	(54,698)	-	-	-	(113,698)
Advances - in	85,632	1,846	39,014	24,595	-	151,087
Advances - out	(83,382)	(1,184)	(39,014)	-	-	(123,580)
Refund of prior year expenditures	49,644	149	-	500	-	50,293
Refund of prior year receipts	-	(4,313)	-	-	-	(4,313)
Other miscellaneous uses of funds	-	-	-	(32,892)	-	(32,892)
Total other financing sources (uses)	54,285	(3,502)	3,870,000	(4,797)	275	3,916,261
Excess of receipts and other financing sources over (under) disbursements and other financing (uses)	412,050	132,489	(204,439)	4,903,918	(3,184)	5,240,834
Fund balances, July 1, 1999	658,720	185,935	267,097	4,551,779	7,271	5,670,802
Fund balances, June 30, 2000	\$ 1,070,770	\$ 318,424	\$ 62,658	\$ 9,455,697	\$ 4,087	\$ 10,911,636

The accompanying notes are an integral part of this statement.

**New Lexington City School District
Perry County**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS

Year ended June 30, 2000

	Proprietary Fund Types		Fund Type	Total
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating receipts				
Food services	\$ 244,765	\$ -	\$ -	\$ 244,765
Extracurricular activities	-	-	90,655	90,655
Classroom materials and fees	4,314	-	-	4,314
Total operating receipts	249,079	-	90,655	339,734
Operating disbursements				
Personal services - salaries	204,418	-	-	204,418
Employees' retirement and insurance	83,750	-	-	83,750
Purchased services	11,010	1,220,885	7,999	1,239,894
Supplies and materials	286,413	3,007	73,953	363,373
Capital outlay	170	-	6,120	6,290
Other miscellaneous	-	-	13,848	13,848
Total operating disbursements	585,761	1,223,892	101,920	1,911,573
Excess of operating receipts (under) operating disbursements	(336,682)	(1,223,892)	(11,265)	(1,571,839)
Non-operating receipts				
Miscellaneous	-	1,223,448	-	1,223,448
On behalf of School District - state	23,450	-	-	23,450
Unrestricted Grants-in-Aid - federal	329,334	-	-	329,334
Restricted Grants-in-Aid - federal	12,082	-	-	12,082
Refund of prior year expenditures	-	-	248	248
Total non-operating receipts	364,866	1,223,448	248	1,588,562
Excess of receipts over (under) disbursements	28,184	(444)	(11,017)	16,723
Other financing sources (uses)				
Advances - in	17,926	-	-	17,926
Advances - out	(45,433)	-	-	(45,433)
Operating transfers - in	-	-	591	591
Operating transfers - out	-	-	(866)	(866)
Total other financing (uses)	(27,507)	-	(275)	(27,782)
Excess of receipts and other financing sources over (under) disbursements and other financing (uses)	677	(444)	(11,292)	(11,059)
Fund balances, July 1, 1999	3,000	188,548	55,319	246,867
Fund balances, June 30, 2000	\$ 3,677	\$ 188,104	\$ 44,027	\$ 235,808

The accompanying notes are an integral part of this statement.

New Lexington City School District
Perry County

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL

Year ended June 30, 2000

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 10,264,632	\$ 10,264,632	\$ -
Special Revenue	1,252,593	1,252,593	-
Debt Service	4,466,744	4,466,744	-
Capital Projects	6,241,112	6,241,112	-
Proprietary			
Enterprise	631,871	631,871	-
Internal Service	1,223,448	1,223,448	-
Fiduciary			
Expendable Trust	20,484	20,484	-
Agency	91,494	91,494	-
Total (Memorandum Only)	<u>\$ 24,192,378</u>	<u>\$ 24,192,378</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

New Lexington City School District
Perry County

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED
WITH EXPENDITURE AUTHORITY

Year ended June 30, 2000

<u>Fund Types/Funds</u>	Prior Year Carryover Appropriations	Fiscal Year Appropriations	Total	Fiscal Year Disbursements	Encumbrances Outstanding at June 30, 2000	Total	Variance Favorable (Unfavorable)
Governmental							
General	\$ 273,661	\$ 10,227,207	\$ 10,500,868	\$ 9,852,582	\$ 375,425	\$ 10,228,007	\$ 272,861
Special Revenue	60,060	1,304,548	1,364,608	1,120,104	80,242	1,200,346	164,262
Debt Service	-	4,687,074	4,687,074	4,671,183	-	4,671,183	15,891
Capital Projects	25,443	4,235,684	4,261,127	1,337,194	975,724	2,312,918	1,948,209
Proprietary							
Enterprise	-	632,570	632,570	631,194	-	631,194	1,376
Internal Service	14,994	1,233,685	1,248,679	1,223,892	22,907	1,246,799	1,880
Fiduciary							
Expendable Trust	2,531	25,000	27,531	23,668	1,328	24,996	2,535
Agency	17,929	97,300	115,229	102,786	7,099	109,885	5,344
Total (Memorandum Only)	<u>\$ 394,618</u>	<u>\$ 22,443,068</u>	<u>\$ 22,837,686</u>	<u>\$ 18,962,603</u>	<u>\$ 1,462,725</u>	<u>\$ 20,425,328</u>	<u>\$ 2,412,358</u>

The accompanying notes are an integral part of this statement.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Lexington City School District is a political subdivision established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999, was 1,994. The District employed 136 certificated employees and 72 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

Basis of Accounting

Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formally prescribed or permitted by the Auditor of State of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Projects Funds

These 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).

PROPRIETARY FUNDS

Enterprise Funds

These 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 of providing goods and 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.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds are used to account for assets held by a governmental unit in a trustee capacity for individuals, private organizations, other funds and/or governmental units. These include Expendable Trust Funds and Agency Funds.

BUDGETARY PROCESS

Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, secretary of the county budget commission, by January 20 of each year, for the subsequent July 1 to June 30 fiscal year.

Estimated Resources

The county budget commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Cash and Investments

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

During the year ended June 30, 2000, investments were limited to certificates of deposits, short-term repurchase agreements, and STAROhio liquid investments.

Property, Plant and Equipment

Fixed assets acquired or constructed for the District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

Accumulated Unpaid Vacation Leave, Sick Leave and Personal Leave

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting described in Note A. All leave will be absorbed either by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2000.

Restricted Assets

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

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

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

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;

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - EQUITY IN POOLED CASH AND INVESTMENTS - CONTINUED

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 (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year end, the carrying amount of the School District's deposits was \$2,065,624 and the bank balance was \$2,098,428. Of the bank balance, \$49,418 was covered by federal depository insurance and the \$2,049,010 was covered partially by pooled collateral for \$1,000,000 and by pledged collateral for \$1,049,010.

Investments

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - EQUITY IN POOLED CASH AND INVESTMENTS - CONTINUED

Based on the above criteria, the District's investments at June 30, 2000 were classified as follows:

	Category		Unclassified	Fair Market
	1	2		
Repurchase Agreement	\$ -	\$6,245,284	\$ -	\$6,245,284
STAROhio	\$ -	-	<u>2,836,536</u>	<u>2,836,536</u>
	<u>\$ -</u>	<u>\$6,245,284</u>	<u>\$2,836,536</u>	<u>\$9,081,820</u>

NOTE C - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The county auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1999.

Real property taxes become a lien on all nonexempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended June 30, 2000 was \$33.26 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$24.06 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$25.87 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amounts of these homestead and rollback reductions are reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000 was \$33.26 per \$1,000 of assessed valuation.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - PROPERTY TAX - CONTINUED

Real Property – 1999 Valuation	
Residential/Agricultural	\$58,798,020
Commercial Industrial	14,827,740
Minerals	949,280
Public Utilities	175,010
Tangible Personal Property – 2000 Valuation	
General	13,893,752
Public Utilities	<u>8,781,830</u>
Total Valuation	<u>\$97,425,632</u>

The County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically remits to the taxing districts their portion of the tax collected.

NOTE D - DEBT OBLIGATIONS

Debt outstanding at June 30, 2000 consisted of the following:

School Energy Conservation Bonds	
Principal Outstanding, due June, 2001 through June, 2004	\$297,138
Interest Rate	4.9%
General Obligation Bonds	
Principal Outstanding, due December, 2000 through December, 2021	\$3,670,000
Interest Rates	3.45% - 10.70%

The School Energy Conservation Bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District, provided, however, that in each year to the extent that funds are available from other sources, including savings generated by energy conservation measures instituted by the District, the amount of such tax shall be reduced by the amount of such funds so available.

The General Obligation Bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all property in the District. In addition to all other taxes, an annual tax has been levied in an amount to provide for the payment of the principal and interest on these bonds.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - DEBT OBLIGATIONS - CONTINUED

The New Lexington City School District entered into an agreement dated December 29, 1998 with the Ohio School Facilities Commission to construct a new high school and to renovate other buildings within the District. The estimated cost of the project is \$29,177,790 and the District is required to contribute \$3,870,000. As established in Section 3318.08 of the Ohio Revised Code, the District was required to raise this funding by issuing bonds or notes.

The District issued \$3,870,000 of School Improvement Bonds on July 1, 1999. The Bonds were issued to refund notes originally authorized pursuant to a vote of the public at an election held on November 3, 1998. In addition to the \$3,870,000 in proceeds used to refund the Bond Anticipation notes, the District also received \$3,000 in nonrefunding proceeds which results in total proceeds of \$3,873,000. The first principal payment in the amount of \$203,000 was due on December 1, 2000. The balance of the bonds at June 30, 2000 is \$3,670,000. The proceeds, which represent the District's share, will be used for the purpose of constructing, acquiring, and making additions to classroom facilities.

The annual principal requirements to amortize all outstanding debt as of June 30, 2000 were as follows:

	Energy Conservation		General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 68,604	\$14,492	\$ 95,000	\$ 191,786	\$ 163,604	\$ 206,278
2002	72,882	11,127	100,000	188,051	172,882	199,178
2003	76,173	7,552	105,000	183,821	181,173	191,373
2004	79,479	3,816	105,000	179,359	184,479	183,175
2005	-	-	110,000	174,681	110,000	174,681
Thereafter	-	-	<u>3,155,000</u>	<u>1,680,293</u>	<u>3,155,000</u>	<u>1,680,293</u>
	<u>\$297,138</u>	<u>\$36,987</u>	<u>\$3,670,000</u>	<u>\$2,597,991</u>	<u>\$3,967,138</u>	<u>\$2,634,978</u>

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Westfield Companies for property, inland marine, crime and boiler and machinery insurance; and Wausau for general liability and fleet insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been non-significant reductions in insurance coverage from last year.

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - RISK MANAGEMENT – CONTINUED

Major medical, vision and dental insurance is offered to employees through a partially self-funded insurance program accounted for in an internal service fund. Mutual Health Services Company is the School District's third party administrator who informs the District of claim payments needed each week. Dominquez Consulting provided an annual actuarial certification of the reserves as required by law. The minimum stop loss threshold at June 30, 2000 was \$977,909 for medical/drug; \$95,245 for dental; and \$17,565 for vision. Total expenses related to the self-insurance program were \$1,111,862 and \$1,220,207 for fiscal years 1999 and 2000, respectively.

NOTE F - RETIREMENT SYSTEMS

State Teachers Retirement System

The School District participates in 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$1,007,734, \$967,591 and \$968,903, respectively.

School Employee Retirement System

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

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F - RETIREMENT SYSTEMS – CONTINUED

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$222,715, \$211,540 and \$209,985, respectively.

NOTE G - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 1999 was 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE G - POSTEMPLOYMENT BENEFITS - CONTINUED

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate was 6.30 percent. 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 1999, the minimum pay has been established as \$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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

NOTE H - CONTINGENCIES

On March 24, 1997, the Ohio Supreme Court tendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,299,639 school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year ended June 30, 1998, the School District had borrowed \$403,000 under this program; the final payment of this note was made in fiscal year 2000. This note was paid in full at June 30, 2000.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE H - CONTINGENCIES - CONTINUED

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The District has been approved to receive \$25,304,790 from the Ohio School Facilities Commission for the construction of new school facilities.

Since the Supreme Court ruling, the Ohio General Assembly has passed numerous pieces of legislation 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. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE I – SET-ASIDE CALCULATION AND FUND RESERVES

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

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – SET-ASIDE CALCULATION AND FUND RESERVES - CONTINUED

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside cash balance as of June 30, 1999	\$ -	\$ 7,000	\$ 152,000	\$159,000
Current year set-aside requirement	185,400	185,400	-	370,800
Current year offsets	(5,198)	-	-	(5,198)
Reclassification of amount voluntarily included as a contribution to the Budget Stabilization	-	-	(59,000)	(59,000)
Qualifying disbursements	(125,478)	(354,171)	-	(479,649)
Voluntary contribution	<u>4,276</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 59,000</u>	<u>\$(161,771)</u>	<u>\$ 93,000</u>	<u>\$(14,047)</u>
Cash balance carried forward to fiscal year 2000	<u>\$ 59,000</u>	<u>\$ 7,000</u>	<u>\$ 93,000</u>	<u>\$159,000</u>

Although the School District had off-sets during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve, this extra amount may not be used to reduce the set-aside requirements for future years. At June 30, 2000 the District has set-aside a total of \$159,000 and complied with the set-aside requirement. The District Board of Education approved the \$59,000 reclassification via resolution. The District's qualifying disbursements out of the capital acquisition reserve were made against general fund appropriations other than the capital acquisition reserve. As a result, at June 30, 2000, the District still had \$7,000 of restricted cash in this reserve account.

**New Lexington City School District
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE J –FISCAL EMERGENCY

The Auditor of State placed New Lexington City School District in fiscal watch as a result of a deficit balance for the fiscal period ended June 30, 1997. On September 17, 1997, as defined by Ohio Rev. Code Section 3316.03(B), the Auditor of State declared New Lexington City School District in a state of fiscal emergency. As of the date of this report, the District has not yet been classified out of this fiscal emergency status.

**New Lexington City School District
Perry County**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

June 30, 2000

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through Ohio Department of Education						
Food Distribution Program		10.550	\$ -	\$ 50,025	\$ -	\$ 50,025
Nutrition Cluster:						
National School Lunch Program	03&04 PU 99 & 00	10.555	279,164	-	279,164	-
Summer Food Program	23 ML&24-AD 00	10.559	12,082	-	12,082	-
School Breakfast Program	05-PU-00	10.553	50,170	-	50,170	-
Total Nutrition Cluster			341,416	50,025	341,416	50,025
Total U.S. Department of Agriculture			341,416	-	341,416	-
<u>U.S. Department of Education</u>						
Passed through Ohio Department of Education						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF 99 & 00	84.027	144,321	-	82,449	-
Special Education - Preschool Grant	PG-S1-00	84.173	5,601	-	5,601	-
Total Special Education Cluster			149,922	-	88,050	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 & 00	84.010	565,528	-	521,696	-
Innovative Educational Program Strategies	C2-S1-99 & 00	84.298	11,971	-	10,785	-
Eisenhower	MS-S1-00	84.281	11,082	-	3,305	-
Class Size Reduction (Title VI R)	CR-S1-00	84.340	43,680	-	20,829	-
Total U.S. Department of Education			782,183	-	644,665	-
<u>U.S. Department of Labor</u>						
Passed through Ohio Department of Education						
School to Work Program	WK-BC00	17.249	6,400	-	6,400	-
Totals			\$ 1,129,999	\$ 50,025	\$ 992,481	\$ 50,025

The accompanying notes are an integral part of this schedule.

**New Lexington City School District
Perry County**

Fiscal year ended June 30, 2000

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



Report on Compliance and on Internal Control Required by Government Auditing Standards

Board of Education
New Lexington City School District
New Lexington, Ohio 43764

We have audited the financial statements of New Lexington City School District, Perry County, (the District) as of and for the year ended June 30, 2000 and have issued our report thereon dated August 22, 2000 wherein we noted the District continues to use the cash basis of accounting formally prescribed by the Auditor of State rather than generally accepted accounting principles, which are now required. 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 New Lexington City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000 - 1.

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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FAX (740) 345-5635

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 in a separate letter dated August 22, 2000.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
August 22, 2000



Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Controls Over Compliance in Accordance with OMB Circular A-133

Board of Education
New Lexington City School District
New Lexington, Ohio 43764

Compliance

We have audited the compliance of New Lexington City School District, Perry County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, New Lexington City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Lexington City 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 the management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shuman & Sons, Inc.

Newark, Ohio
August 22, 2000

New Lexington City School District
Perry County

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

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

New Lexington City School District
Perry County

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

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

- 2000 - 1.** Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**New Lexington City School District
Perry County**

REPORT ON PRIOR YEAR AUDIT FINDINGS

June 30, 2000

The results of prior year tests disclosed one material instance of noncompliance that was required to be reported under *Government Auditing Standards* described below:

- 1999 - 1.** Ohio Administrative Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles, unless a waiver is granted by the Auditor of State.

The District prepared its 1999 annual financial report on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, without receiving a waiver from the Auditor of State of Ohio. The 1999 financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The District can be fined and various legal administrative remedies may be taken against the District by the State of Ohio.

The District continues to prepare the financial report on the cash basis of accounting with no waiver.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEW LEXINGTON CITY SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2000**