

**NEW LEXINGTON CITY SCHOOL DISTRICT**

**SOUTHEAST REGION, PERRY COUNTY**

**SINGLE AUDIT**

**July 1, 1998 - June 30, 1999**

**FISCAL YEAR AUDITED UNDER GAGAS: 1999**



*Alton, Shannon & Jones, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

**NEW LEXINGTON CITY SCHOOL DISTRICT**  
**SOUTHEAST REGION, PERRY COUNTY**

**SINGLE AUDIT**

*July 1, 1998 - June 30, 1999*

**FISCAL YEAR AUDITED UNDER GAGAS: 1999**

New Lexington City School District  
Perry County

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New Lexington City School District  
Perry County

Elected Officials as of June 30, 1999

<u>Title/Name</u>	<u>Term of Office</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<b>BOARD OF EDUCATION</b>				
<u>President</u>				
Martin Adam	1/01/98 to 12/31/01	(A)	\$20,000	4/22/98 to 4/22/99 4/22/99 to 4/22/00

Vice-President

Charles Loomis 7/02/97 to 12/31/99

Members

Dean Dickson 1/01/98 to 12/31/01

Carl Fondale 1/01/98 to 12/31/01

Carol Love 1/01/96 to 12/31/99

Entity Address

New Lexington City School District  
310-312 First Street  
New Lexington, Ohio 43764

Legal Counsel

Law Offices of Walter Howdysshell  
P.O. Box 508  
New Lexington, Ohio 43764

Peck, Shaffer & Williams  
Suite 800  
88 East Broad Street  
Columbus, Ohio 43215

Thomas, Fregiato, Myser, Hanson & Davies  
320 Howard Street  
Bridgeport, Ohio 43912

(A) State Automobile Mutual Insurance Company

New Lexington City School District  
Perry County

ADMINISTRATIVE PERSONNEL

June 30, 1999

<u>Title/Name</u>	<u>Contract Period</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<u>Superintendent</u>				
Lawrence Rentschler	8/17/98 to 7/31/01	(A)	\$20,000	8/17/98 to 8/17/99
<u>Treasurer</u>				
Daniel Stanton	1/10/98 to Organizational Meeting 2002	(A)	\$100,000	1/10/99 to 1/10/00

(A) State Automobile Mutual Insurance Company



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398

Board of Education  
New Lexington City School District  
310-312 First Street  
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, 1998 through 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 New Lexington City School District is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

February 23, 2000

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, 1999. 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 cash receipts and disbursements with modifications designed to demonstrate the District's compliance with the budget laws of the 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, 1999, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 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.

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, Shannon & Snow, Inc.*

*Wilson, Shannon & Snow, Inc.*

Newark, Ohio  
January 14, 2000

CERTIFIED PUBLIC ACCOUNTANTS  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

**New Lexington City School District**  
**Perry County**

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

June 30, 1999

Cash in banks	\$	40,295	
Less outstanding checks		<u>(292,203)</u>	\$ (251,908)
Investments			4,269,579
Certificates of deposits			<u>1,900,000</u>
Total			<u>\$ 5,917,671</u>

**CASH BALANCES BY FUND TYPE**

<b>Governmental Funds</b>			
General	\$	658,721	
Special Revenue		185,936	
Debt Service		267,098	
Capital Projects		<u>4,551,777</u>	\$ 5,663,532
<b>Proprietary Funds</b>			
Enterprise		3,001	
Internal Service		<u>188,548</u>	191,549
<b>Fiduciary Funds</b>			
Expendable Trust		7,271	
Agency		<u>55,319</u>	<u>62,590</u>
Total			<u>\$ 5,917,671</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, 1999

	Governmental Fund Types	
	General	Special Revenue
<b>Receipts</b>		
Receipts from local sources		
Taxes	\$ 1,753,253	\$ 20,294
Tuition	11,149	-
Earnings on investments	92,212	760
Extracurricular activities	-	57,240
Classroom materials and fees	20,565	-
Miscellaneous	85,567	85,482
Receipts from state sources		
Unrestricted Grants-in-Aid	7,543,957	2,253
Restricted Grants-in-Aid	92,353	368,753
Revenue on behalf of the District	29,774	-
Receipts from federal sources		
Restricted Grants-in-Aid	-	621,823
Total receipts	9,628,830	1,156,605
<b>Disbursements</b>		
Instruction		
Regular	4,010,541	241,443
Special	905,213	493,481
Vocational Education	495,591	6,871
Adult/Continuing	11,776	-
Other instruction	82,058	-
Supporting services		
Pupils	418,825	139,471
Instructional staff	205,782	75,174
Board of Education	92,935	782
Administration	1,055,108	63,557
Fiscal services	209,384	7,210
Business	19,077	25,399
Operation and maintenance - plant	888,090	-
Pupil transportation	631,703	89
Central	46,347	150
Operation of non-instruction services		
Community services	-	63,367
Extracurricular activities		
Academic and subject oriented activities	145,999	-
Sports oriented	16,510	91,902
Facilities acquisition and construction services		
Site improvement	-	-
Architecture and engineering	-	-
Debt service		
Repayment of debt	-	-
Total disbursements	9,234,939	1,208,896

Governmental Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
\$ 229,939	\$ 17,090	\$ -	\$ 2,020,576
-	-	-	11,149
-	55,218	-	148,190
-	-	-	57,240
-	-	-	20,565
-	45,000	20,553	236,602
532,547	2,219	-	8,080,976
-	922,131	-	1,383,237
-	-	-	29,774
-	-	-	621,823
<u>762,486</u>	<u>1,041,658</u>	<u>20,553</u>	<u>12,610,132</u>
-	69,864	-	4,321,848
-	-	-	1,398,694
-	-	-	502,462
-	-	-	11,776
-	-	-	82,058
-	-	-	558,296
-	2,919	-	283,875
-	-	-	93,717
-	1,800	-	1,120,465
7,891	653	-	225,138
-	-	19,268	63,744
-	250,793	-	1,138,883
-	-	-	631,792
-	15,541	-	62,038
-	-	-	63,367
-	-	-	145,999
-	-	-	108,412
-	4,833	-	4,833
-	338,638	-	338,638
<u>891,427</u>	<u>-</u>	<u>-</u>	<u>891,427</u>
<u>899,318</u>	<u>685,041</u>	<u>19,268</u>	<u>12,047,462</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 - CONTINUED

Year ended June 30, 1999

	Governmental Fund Types	
	General	Special Revenue
Excess of receipts over (under) disbursements	\$ 393,891	\$ (52,291)
Other financing (uses) sources		
Proceeds from the sale of assets	4,216	-
Proceeds from sale of notes	-	-
Transfers - in	-	54,715
Transfers - out	(121,602)	(54,767)
Advances - in	65,400	1,184
Advances - out	(75,397)	-
Refund of prior year expenditures	43,235	-
Refund of prior year receipts	-	(1,816)
Other miscellaneous uses of funds	-	-
Total other financing (uses) sources	(84,148)	(684)
Excess of receipts and other financing sources over (under) disbursements and other financing (uses)	309,743	(52,975)
Fund balances, July 1, 1998	348,978	238,911
Fund balances, June 30, 1999	\$ 658,721	\$ 185,936

Governmental Fund Types		Fiduciary	Total
Debt	Capital	Fund Type	(Memorandum
Service	Projects	Expendable	Only)
		Trust	
\$ (136,832)	\$ 356,617	\$ 1,285	\$ 562,670
-	-	-	4,216
-	3,870,000	-	3,870,000
121,602	-	95	176,412
-	-	-	(176,369)
-	-	-	66,584
-	-	-	(75,397)
-	500	-	43,735
-	-	-	(1,816)
-	(43,200)	-	(43,200)
<u>121,602</u>	<u>3,827,300</u>	<u>95</u>	<u>3,864,165</u>
(15,230)	4,183,917	1,380	4,426,835
<u>282,328</u>	<u>367,860</u>	<u>5,891</u>	<u>1,243,968</u>
<u>\$ 267,098</u>	<u>\$ 4,551,777</u>	<u>\$ 7,271</u>	<u>\$ 5,670,803</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 PROPRIETARY FUND TYPES  
AND SIMILAR FIDUCIARY FUNDS**

Year ended June 30, 1999

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating receipts		
Food services	\$ 237,608	\$ -
Extracurricular activities	-	-
Classroom materials and fees	6,301	-
Total operating receipts	243,909	-
Operating disbursements		
Personal services - salaries	205,286	-
Employees' retirement and insurance	80,529	-
Purchased services	15,135	1,107,911
Supplies and materials	254,864	3,951
Capital outlay	8,401	-
Other miscellaneous	-	-
Total operating disbursements	564,215	1,111,862
Excess of operating receipts (under) over operating disbursements	(320,306)	(1,111,862)
Non-operating receipts		
Miscellaneous	-	1,074,348
On behalf of School District - state	19,335	-
Unrestricted Grants-in-Aid - federal	293,468	-
Refund of prior year expenditures	2	-
Total non-operating receipts	312,805	1,074,348
Excess of receipts (under) over disbursements	(7,501)	(37,514)
Other financing sources (uses)		
Advances - in	74,212	-
Advances - out	(65,399)	-
Operating transfers - in	-	-
Operating transfers - out	-	-
Total other financing sources (uses)	8,813	-
Excess of receipts and other financing sources (under) over disbursements and other financing (uses)	1,312	(37,514)
Fund balances, July 1, 1998	1,689	226,062
Fund balances, June 30, 1999	\$ 3,001	\$ 188,548

<u>Fund Type</u>	<u>Total</u>
<u>Agency</u>	<u>(Memorandum Only)</u>
\$ -	\$ 237,608
113,437	113,437
-	6,301
<u>113,437</u>	<u>357,346</u>
-	205,286
-	80,529
6,968	1,130,014
84,469	343,284
2,095	10,496
14,568	14,568
<u>108,100</u>	<u>1,784,177</u>
5,337	(1,426,831)
-	1,074,348
-	19,335
-	293,468
-	2
<u>-</u>	<u>1,387,153</u>
5,337	(39,678)
-	74,212
-	(65,399)
52	52
<u>(95)</u>	<u>(95)</u>
<u>(43)</u>	<u>8,770</u>
5,294	(30,908)
<u>50,025</u>	<u>277,776</u>
<u>\$ 55,319</u>	<u>\$ 246,868</u>

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, 1999

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental			
General	\$ 9,741,682	\$ 9,741,681	\$ (1)
Special Revenue	1,362,143	1,212,504	(149,639)
Debt Service	630,122	884,088	253,966
Capital Projects	4,368,935	4,912,158	543,223
Proprietary			
Enterprise	573,600	630,926	57,326
Internal Service	957,273	1,074,348	117,075
Fiduciary			
Expendable Trust	20,600	20,648	48
Agency	114,600	113,489	(1,111)
Total (Memorandum Only)	<u>\$ 17,768,955</u>	<u>\$ 18,589,842</u>	<u>\$ 820,887</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, 1999

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Fiscal Year Appropriations</u>	<u>Total</u>
Governmental			
General	\$ 170,867	\$ 9,548,458	\$ 9,719,325
Special Revenue	66,042	1,345,317	1,411,359
Debt Service	-	900,855	900,855
Capital Projects	26,142	4,643,920	4,670,062
Proprietary			
Enterprise	110	631,038	631,148
Internal Service	8,957	1,174,375	1,183,332
Fiduciary			
Expendable Trust	1,854	25,000	26,854
Agency	<u>10,597</u>	<u>120,850</u>	<u>131,447</u>
Total (Memorandum Only)	<u>\$ 284,569</u>	<u>\$ 18,389,813</u>	<u>\$ 18,674,382</u>



<u>Fiscal Year Disbursements</u>	<u>Encumbrances Outstanding at June 30, 1999</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 9,431,938	\$ 273,661	\$ 9,705,599	\$ 13,726
1,265,479	60,060	1,325,539	85,820
899,318	-	899,318	1,537
728,241	25,443	753,684	3,916,378
629,614	-	629,614	1,534
1,111,862	14,994	1,126,856	56,476
19,268	2,530	21,798	5,056
<u>108,195</u>	<u>17,929</u>	<u>126,124</u>	<u>5,323</u>
<u>\$ 14,193,915</u>	<u>\$ 394,617</u>	<u>\$ 14,588,532</u>	<u>\$ 4,085,850</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, 1998, was 1,985. The District employed 142 certificated employees and 75 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 a basis of cash receipts and disbursements. Consequently, certain receipts and the related assets are recognized when received rather than when earned and certain disbursements are recognized when paid rather than when the obligation is incurred. A general fixed asset account group and long-term debt account group are not recorded on the financial statements by the District under the basis of accounting used. By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

The State of Ohio requires that school districts maintain their financial statements under generally accepted accounting principles. In prior years, the school district received a waiver from the State of Ohio to maintain their financial statements under the cash basis. For the year ended June 30, 1999, no waiver was granted by the State of Ohio. However, the School District is still maintaining their financial statements under the cash basis of accounting.

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, 1999, investments were limited to certificates of deposits, short-term repurchase agreements, and STAROhio liquid investments.

The School District has elected to record substantially all investment earnings to the general fund.

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, 1999.

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 \$1,648,092 and the bank balance was \$1,940,295. Of the bank balance, \$40,295 was covered by federal depository insurance and the \$1,900,000 was covered partially by pooled collateral for \$1,000,000 and by pledged collateral for \$900,000.

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 are 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, 1999 were classified as follows:

Investments:	Category		Unclassified	Fair Market
	1	2		
Repurchase Agreement	\$ -	\$1,525,528	\$ -	\$1,525,528
STAROhio	<u>\$ -</u>	<u>-</u>	<u>2,744,051</u>	<u>2,744,051</u>
	<u>\$ -</u>	<u>\$1,525,528</u>	<u>\$2,744,051</u>	<u>\$4,269,579</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 1996.

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, 1999 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 \$27.02 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$27.09 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, 1999 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 – 1996 Valuation	
Residential/Agricultural	\$47,450,810
Commercial Industrial	14,424,080
Minerals	835,010
Public Utilities	142,450
Tangible Personal Property	
General	11,327,124
Public Utilities	<u>9,445,020</u>
Total Valuation	<u>\$83,624,494</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, 1999 consisted of the following:

School Energy Conservation Bonds	
Principal Outstanding, due June, 2000 through June, 2004	\$362,473
Interest Rate	4.9%
Emergency School Loan Notes	
Principal Outstanding, due June, 2000	\$209,801
Interest Rate	5.0%
Bond Anticipation Notes	
Principal Outstanding, due August, 1999	\$3,870,000
Interest Rate	3.65%

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 Emergency School Loan Notes are direct obligations of the District for which its full faith, credit and resources are pledged and payable as a reduction of the State of Ohio Foundation Money of \$42,121 (interest and principal) each month until the obligation is paid off.

**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 Bond Anticipation Notes are direct obligations of the District and they were issued in anticipation of General Obligation Bonds. The Notes were dated February 4, 1999 and matured on August 4, 1999.

On July 1, 1999 the District issued \$3,870,000 of School Improvement Bonds. The Bonds were issued to refund notes originally authorized pursuant to a vote of the public at an election held on November 3, 1998. The proceeds, which represents the District's share, will be used for the purpose of constructing, acquiring, and making additions to class room facilities.

The District also passed a one-half mill levy, as required by the Project Agreement, to be used to pay the cost of maintaining the class room facilities. However, if the District's adjusted valuation per pupil is greater than the statewide median adjusted valuation per pupil, one half of the tax proceeds must be used to repay the State. At June 30, 1999 the District's average adjusted valuation per pupil was significantly below the state-wide medium. As a result, it is unlikely that any of the proceeds will be used to repay the State of Ohio for their contribution.

The annual principal requirements to amortize all outstanding debt as of June 30, 1999, were as follows:

	Emergency School Notes		Energy Conservation		Bond Anticipation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$ 65,335	\$17,700	\$209,801	\$5,689	\$3,870,000	\$70,628	\$4,145,136	\$ 94,017
2001	68,604	14,492	-	-	-	-	68,604	14,492
2002	72,882	11,127	-	-	-	-	72,882	11,127
2003	76,173	7,552	-	-	-	-	76,173	7,552
2004	79,479	3,816	-	-	-	-	79,479	3,816
Thereafter	-	-	-	-	-	-	-	-
	<u>\$362,473</u>	<u>\$54,687</u>	<u>\$209,801</u>	<u>\$5,689</u>	<u>\$3,870,000</u>	<u>\$70,628</u>	<u>\$4,442,274</u>	<u>\$131,004</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 1999, 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. Coverages provided at June 30, 1999 were as follows:

Building and Contents – replacement cost (\$500 deductible)	\$27,564,314
Inland Marine Coverage	
Contractor Equipment (\$250 deductible)	6,250
Data Processing (\$100 deductible)	800,000
Musical Instruments (\$100 deductible)	102,000
Audio-Visual Equipment (\$100 deductible)	231,000
Band Uniforms (\$100 deductible)	20,000
Commercial Crime	3,000
Boiler and Machinery (\$500 deductible)	Not Limited
General Liability	
Per occurrence	2,000,000
Aggregate Per Year	5,000,000
Public Employee Dishonesty	100,000
Automobile Liability (\$250 deductible for collision)	2,000,000
Uninsured Motorists (\$250 deductible for collision)	50,000

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 1999, 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."

New Lexington City School District  
Perry County

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - RISK MANAGEMENT - CONTINUED

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.

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, 1999 was \$835,011 for medical/drug; \$81,444 for dental; and \$15,008 for vision. Total expenses related to the self-insurance program were \$872,145 and \$1,111,862 for fiscal years 1998 and 1999, 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, 1999, 1998 and 1997 were \$967,591, \$968,903 and \$1,021,161, 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, 1999, 1998, and 1997 were \$211,540, \$209,985 and \$207,389, 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, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 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, 1998, the allocation rate is 4.89 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 1998, 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, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

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, 1999, the School District received \$7,989,000 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 will be made in fiscal year 2000. The terms of the debt are further described in Note D to the combined financial statements.

**New Lexington City School District  
Perry County**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE H - CONTINGENCIES - CONTINUED

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1998, the School District borrowed \$117,000 under this program. This amount was repaid during fiscal 1999. Historically, the School District has relied on this borrowing to meet their 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.

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 as of June 30, 1999. The District has been approved to receive \$25,304,790 from the Ohio School Facilities Commission. The majority of the construction is scheduled to take place during fiscal year 2000.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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 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>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ -	\$ -	\$ 92,546	\$ 92,546
Current year set-aside requirement	117,777	117,777	58,899	294,453
Current year offsets	(25,978)	-	-	(25,978)
Qualifying disbursements	<u>(91,799)</u>	<u>(111,000)</u>	<u>-</u>	<u>(202,799)</u>
Set-aside cash balance as of June 30, 1999	\$ <u>-</u>	\$ <u>6,777</u>	<u>\$151,445</u>	<u>\$158,222</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. The School District had additional qualifying disbursements during the year in the amount of \$38,201 for textbooks. Under current law the District is not permitted to carry forward credit balances to future years. However, effective September 29, 1999 the new law allows set-asides for textbooks made in one year which exceed the required percentage to reduce the amount required to be set aside in succeeding fiscal years.

NOTE J – 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 government's operations.

The New Lexington City School 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, educational statistics reporting (through the State's Education Management and Information System [EMIS] and student records). The District has six school buildings with power systems that have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.



**New Lexington City School District  
Perry County**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE J – YEAR 2000 ISSUE - CONTINUED**

The State of Ohio distributes a substantial sum of money to the District in the form of “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.

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. To the best of management’s knowledge and belief, as of January 14, 2000, the government experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties to whom the government does business may also experience Year 2000 readiness issues that are as yet unknown.

New Lexington City School District  
Perry County

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

June 30, 1999

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
Passed through Ohio Department of Education						
<b>Nutrition Cluster:</b>						
Food Distribution Program		10.550	\$ -	\$ 39,766	\$ -	\$ 39,766
National School Lunch Program	03 & 04-PU-00	10.555	251,349	-	251,349	-
School Breakfast Program	05-PU-00	10.553	42,119	-	42,119	-
Total U.S. Department of Agriculture - Nutrition Cluster			293,468	39,766	293,468	39,766
<b>U.S. Department of Education</b>						
Passed through Ohio Department of Education						
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA Part B)	6B-SF 98 & 99	84.027	130,728	-	104,332	-
Special Education - Preschool Grant	PG-51-99	84.173	5,070	-	5,041	-
Total Special Education Cluster			135,798	-	109,373	-
<b>Grants to Local Educational Agencies (ESEA Title I)</b>						
Innovative Educational Program Strategies	C2-S1-99	84.298	8,242	-	7,331	-
Goals 2000	G2-S2-99	84.276	5,000	-	3,304	-
Eisenhower	MS-S1-99	84.281	12,002	-	12,002	-
Total Department of Education			481,893	-	467,603	-
<b>U.S. Department of Labor</b>						
Passed through Ohio Department of Education:						
School to Work Program	WK-BE00	17.249	4,132	-	4,132	-
<b>Totals</b>			<b>\$ 915,291</b>	<b>\$ 39,766</b>	<b>\$ 874,576</b>	<b>\$ 39,766</b>

The accompanying notes are an integral part of this schedule.

**New Lexington City School District  
Perry County**

Fiscal year ended June 30, 1999

**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, 1999, 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, 1999 and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether 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 1999 - 1.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 14, 2000.

### 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  
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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 January 14, 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, Sherman & Sons, Inc.*

Newark, Ohio  
January 14, 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, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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, 1999.

*Wilson, Shannon & Snow, Inc.*

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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 Shannon E. Snow, Jr.*

Newark, Ohio  
January 14, 2000

New Lexington City School District  
Perry County

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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



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

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

- 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. 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, 1999

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

- 1998 - 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 1998 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 1998 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  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

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.

By: Susan Babbitt

Date: MARCH 9, 2000