



**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups – June 30, 2001	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types – For the Year Ended June 30, 2001	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types – For the Year Ended June 30, 2001	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type – For the Year Ended June 30, 2001	10
Combined Statement of Cash Flows – Proprietary Fund Type – For the Year Ended June 30, 2001	11
Notes to the General-Purpose Financial Statement – June 30, 2001	13
Schedule of Federal Awards Receipts and Expenditures – For the Year Ended June 30, 2001	39
Notes to the Schedule of Federal Awards Receipts and Expenditures	40
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	41
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	43
Schedule of Findings	45
Schedule of Prior Audit Findings	48

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REPORT OF INDEPENDENT ACCOUNTANTS

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Lebanon Local School District (the District), Montgomery County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the New Lebanon Local School District, Montgomery County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2002 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.

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

Jim Petro
Auditor of State

March 27, 2002

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NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$1,389,522	\$152,194	\$371,255	\$5,788,388
Cash with fiscal agent			159	
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent	1,951,409	43,099	417,571	99,625
Income tax	322,689			
Accounts	1,377	549		
Accrued interest	3,146			
Interfund loan receivable	10,000			
Advances to other funds	23,000			
Prepayments	23,929			
Materials and supplies inventory	10,314			
Restricted assets:				
Equity in pooled cash and cash equivalents	32,553			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>3,767,939</u>	<u>195,842</u>	<u>788,985</u>	<u>5,888,013</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$104,840	\$2,435		120,744
Accrued wages and benefits	854,932	27,322		
Compensated absences payable	22,651	59		
Pension obligation payable	133,588	2,920		
Interfund loan payable		10,000		
Advances from other funds				23,000
Deferred revenue	1,814,422	41,734	\$386,882	92,539
Due to students				
Matured interest payable			159	
Accrued interest payable			15,246	
General obligation bonds payable				
Energy conservation notes payable				
Total liabilities	<u>2,930,433</u>	<u>84,470</u>	<u>402,287</u>	<u>236,283</u>
Equity and Other Credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	46,031	6,190		82,908
Reserved for supplies inventory	10,314			
Reserved for prepayments	23,929			
Reserved for debt service			356,009	
Reserved for tax revenue unavailable for appropriation	137,817	1,365	30,689	7,084
Reserved for advances	23,000			
Reserved for textbooks	1,396			
Reserved for budget stabilization	31,157			
Unreserved-undesignated	563,862	103,817		5,561,738
Total Equity and Other Credits	<u>837,506</u>	<u>111,372</u>	<u>386,698</u>	<u>5,651,730</u>
Total Liabilities, Equity and Other Credits	<u>\$3,767,939</u>	<u>\$195,842</u>	<u>\$788,985</u>	<u>\$5,888,013</u>

See Accompanying Notes to the General-Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$41,491	\$19,194			\$7,762,044 159
				2,511,704
5,075				322,689
				7,001
				3,146
				10,000
				23,000
10,462				23,929
				20,776
				32,553
16,793		4,579,076		4,595,869
			386,698	386,698
			5,247,000	5,247,000
<u>73,821</u>	<u>19,194</u>	<u>4,579,076</u>	<u>5,633,698</u>	<u>20,946,568</u>
1,532				229,551
22,173				904,427
16,342			436,568	475,620
24,406			74,551	235,465
				10,000
				23,000
3,800				2,339,377
	19,194			19,194
				159
				15,246
			4,980,000	4,980,000
			142,579	142,579
<u>68,253</u>	<u>19,194</u>		<u>5,633,698</u>	<u>9,374,618</u>
		4,579,076		4,579,076
5,568				5,568
				135,129
				10,314
				23,929
				356,009
				176,955
				23,000
				1,396
				31,157
				6,229,417
<u>5,568</u>		<u>4,579,076</u>		<u>11,571,950</u>
<u>\$73,821</u>	<u>\$19,194</u>	<u>\$4,579,076</u>	<u>\$5,633,698</u>	<u>\$20,946,568</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From local sources:					
Taxes	\$2,752,196	\$20,799	\$276,306	\$101,351	\$3,150,652
Tuition	25,278	735			26,013
Earnings on investments	194,019			120,389	314,408
Other local revenues	145,725	175,378			321,103
Intergovernmental - State	5,300,418	49,866	33,566	1,152,934	6,536,784
Intergovernmental - Federal		149,488			149,488
Total revenue	<u>8,417,636</u>	<u>396,266</u>	<u>309,872</u>	<u>1,374,674</u>	<u>10,498,448</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,243,803	59,029		93,096	4,395,928
Special	619,822	144,156			763,978
Vocational	50,384				50,384
Other	45,924				45,924
Support services:					
Pupil	365,654	7,937			373,591
Instructional staff	366,118	20,779			386,897
Board of Education	171,153				171,153
Administration	869,884	12,542			882,426
Fiscal	188,448				188,448
Business	82,224	60,462			142,686
Operations and maintenance	749,641				749,641
Pupil transportation	482,596	689			483,285
Central		2,952			2,952
Extracurricular activities	172,750	109,124			281,874
Facilities services				339,610	339,610
Debt service:					
Principal retirement	22,813		4,578,000		4,600,813
Interest and fiscal charges	7,575		195,481		203,056
Total expenditures	<u>8,438,789</u>	<u>417,670</u>	<u>4,773,481</u>	<u>432,706</u>	<u>14,062,646</u>
Excess (deficiency) of revenues over (under) expenditures	(21,153)	(21,404)	(4,463,609)	941,968	(3,564,198)
Other financing sources (uses):					
Proceeds on sale of bonds			4,530,000		4,530,000
Premium on sale of bonds			71,270		71,270
Proceeds on sale of notes				4,533,000	4,533,000
Proceeds on sale of assets	151				151
Total other financing sources (uses)	<u>151</u>		<u>4,601,270</u>	<u>4,533,000</u>	<u>9,134,421</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(21,002)	(21,404)	137,661	5,474,968	5,570,223
Fund balance, July 1	857,705	132,776	249,037	176,762	1,416,280
Increase in reserve for inventory	803				803
Fund balance, June 30	<u>\$837,506</u>	<u>\$111,372</u>	<u>\$386,698</u>	<u>\$5,651,730</u>	<u>\$6,987,306</u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$1,888,305	\$2,693,818	\$805,513		\$19,435	\$19,435
Tuition	28,628	25,278	(3,350)	846	735	(111)
Earnings on investments	199,283	175,961	(23,322)			
Other local revenues	3,908	3,451	(457)	201,506	175,131	(26,375)
Intergovernmental - State	6,003,692	5,301,069	(702,623)	57,376	49,866	(7,510)
Intergovernmental - Federal				168,732	146,647	(22,085)
Total revenues	<u>8,123,816</u>	<u>8,199,577</u>	<u>75,761</u>	<u>428,460</u>	<u>391,814</u>	<u>(36,646)</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,320,600	4,205,726	114,874	92,352	59,168	33,184
Special	679,000	615,088	63,912	157,448	140,048	17,400
Vocational	61,800	58,828	2,972			
Other	100,000	47,712	52,288			
Support services:						
Pupil	465,200	364,012	101,188	12,819	8,871	3,948
Instructional staff	395,000	364,415	30,585	27,049	21,322	5,727
Board of Education	227,000	174,387	52,613			
Administration	986,000	927,613	58,387	14,744	12,605	2,139
Fiscal	254,000	182,956	71,044			
Business	100,000	100,162	(162)	94,386	65,378	29,008
Operations and maintenance	1,090,000	749,492	340,508			
Pupil transportation	492,000	478,995	13,005	2,100	689	1,411
Central	25,000		25,000	10,000	5,000	5,000
Extracurricular activities	195,000	172,112	22,888	133,241	109,228	24,013
Facilities services	100,000		100,000			
Debt service:						
Principal retirement	24,000	22,813	1,187			
Interest and fiscal charges	8,000	7,575	425			
Total expenditures	<u>9,522,600</u>	<u>8,471,886</u>	<u>1,050,714</u>	<u>544,139</u>	<u>422,309</u>	<u>121,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,398,784)</u>	<u>(272,309)</u>	<u>1,126,475</u>	<u>(115,679)</u>	<u>(30,495)</u>	<u>85,184</u>
Other financing sources (uses):						
Refund of prior year's expenditures	177,244	156,501	(20,743)	3,269	2,841	(428)
Operating transfers (out)	(6,575)		6,575			
Advances in				11,506	10,000	(1,506)
Advances (out)		(10,000)	(10,000)			
Premium/interest on bonds/notes						
Sale of bonds						
Proceeds of notes	171	151	(20)			
Total other financing sources (uses)	<u>170,840</u>	<u>146,652</u>	<u>(24,188)</u>	<u>14,775</u>	<u>12,841</u>	<u>(1,934)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,227,944)</u>	<u>(125,657)</u>	<u>1,102,287</u>	<u>(100,904)</u>	<u>(17,654)</u>	<u>83,250</u>
Fund balances, July 1	1,234,151	1,234,151		158,365	158,365	
Prior year encumbrances appropriated	<u>134,565</u>	<u>134,565</u>		<u>2,859</u>	<u>2,859</u>	
Fund balances, June 30	<u>\$140,772</u>	<u>\$1,243,059</u>	<u>\$1,102,287</u>	<u>\$60,320</u>	<u>\$143,570</u>	<u>\$83,250</u>

See Accompanying Notes to the General-Purpose Financial Statements.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$81,267	\$248,438	\$167,171	\$96,384	\$97,072	\$688	\$2,065,956	\$3,058,763	\$992,807
						29,474	26,013	(3,461)
			27,788	120,389	92,601	227,071	296,350	69,279
						205,414	178,582	(26,832)
33,405	33,566	161	266,121	1,152,936	886,815	6,360,594	6,537,437	176,843
						168,732	146,647	(22,085)
<u>114,672</u>	<u>282,004</u>	<u>167,332</u>	<u>390,293</u>	<u>1,370,397</u>	<u>980,104</u>	<u>9,057,241</u>	<u>10,243,792</u>	<u>1,186,551</u>
			126,948	117,810	9,138	4,539,900	4,382,704	157,196
						836,448	755,136	81,312
						61,800	58,828	2,972
						100,000	47,712	52,288
						478,019	372,883	105,136
						422,049	385,737	36,312
						227,000	174,387	52,613
						1,000,744	940,218	60,526
						254,000	182,956	71,044
						194,386	165,540	28,846
						1,090,000	749,492	340,508
						494,100	479,684	14,416
						35,000	5,000	30,000
						328,241	281,340	46,901
			199,760	427,258	(227,498)	299,760	427,258	(127,498)
4,744,047	4,578,000	166,047				4,768,047	4,600,813	167,234
150,000	134,023	15,977				158,000	141,598	16,402
<u>4,894,047</u>	<u>4,712,023</u>	<u>182,024</u>	<u>326,708</u>	<u>545,068</u>	<u>(218,360)</u>	<u>15,287,494</u>	<u>14,151,286</u>	<u>1,136,208</u>
<u>(4,779,375)</u>	<u>(4,430,019)</u>	<u>349,356</u>	<u>63,585</u>	<u>825,329</u>	<u>761,744</u>	<u>(6,230,253)</u>	<u>(3,907,494)</u>	<u>2,322,759</u>
						180,513	159,342	(21,171)
						(6,575)		6,575
						11,506	10,000	(1,506)
							(10,000)	(10,000)
15,173	15,246	73				15,173	15,246	73
4,517,988	4,539,814	21,826				4,517,988	4,539,814	21,826
			1,046,311	4,533,000	3,486,689	1,046,482	4,533,151	3,486,669
<u>4,533,161</u>	<u>4,555,060</u>	<u>21,899</u>	<u>1,046,311</u>	<u>4,533,000</u>	<u>3,486,689</u>	<u>5,765,087</u>	<u>9,247,553</u>	<u>3,482,466</u>
(246,214)	125,041	371,255	1,109,896	5,358,329	4,248,433	(465,166)	5,340,059	1,556,792
246,214	246,214		115,270	115,270		1,754,000	1,754,000	
			111,138	111,138		248,562	248,562	
<u>\$0</u>	<u>\$371,255</u>	<u>\$371,255</u>	<u>\$1,336,304</u>	<u>\$5,584,737</u>	<u>\$4,248,433</u>	<u>\$1,537,396</u>	<u>\$7,342,621</u>	<u>\$5,805,225</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$47,138
Sales/charges for services	<u>242,297</u>
Total operating revenues	289,435
Operating expenses:	
Personal services	187,959
Contract services	3,554
Materials and supplies	194,292
Depreciation	<u>3,051</u>
Total operating expenses	<u>388,856</u>
Operating loss	(99,421)
Nonoperating revenues:	
Operating grants	79,940
Federal commodities	22,149
Interest revenue	<u>981</u>
Total nonoperating revenues	<u>103,070</u>
Net income	3,649
Retained earnings, July 1	<u>1,919</u>
Retained earnings, June 30	<u><u>\$5,568</u></u>

See Accompanying Notes to the General-Purpose Financial Statements.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$44,564
Cash received from sales/service charges	242,218
Cash payments for personal services	(189,282)
Cash payments for contract services	(3,554)
Cash payments for supplies and materials	<u>(172,856)</u>
Net cash used in operating activities	(78,910)
Cash flows from noncapital financing activities:	
Cash received from operating grants	79,940
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(290)
Cash flows from investing activities:	
Interest received	<u>981</u>
Net increase in cash and cash equivalents	1,721
Cash and cash equivalents at beginning of year	<u>39,770</u>
Cash and cash equivalents at end of year	<u><u>\$41,491</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$99,421)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,051
Federal donated commodities	22,149
Changes in assets and liabilities:	
Decrease in supplies inventory	416
Increase in accounts receivable	(2,653)
Increase in accounts payable	656
Decrease in accrued wages & benefits	(1,398)
Decrease in compensated absences payable	(1,444)
Increase in pension obligation payable	1,519
Decrease in deferred revenue	<u>(1,785)</u>
Net cash used in operating activities	<u><u>(\$78,910)</u></u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The New Lebanon Local School District (the "District") is located in west-central Montgomery County, including all of the Village of New Lebanon, and portions of surrounding townships. The District serves an area of approximately 39 square miles.

The District was organized in 1922, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 71 non-certified and 97 (including administrative) certified full-time and part-time employees to provide services to approximately 1,419 students in grades K through 12 and various community groups, which ranks it 391th out of approximately 682 school districts in Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations described due to their relationship to the District.

1. Jointly Governed Organizations:

Miami Valley Career Tech Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Board is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's General fund. Financial information may be obtained from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

B. Fund Accounting

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

1. Governmental Funds

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

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

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

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds and Trust funds).

2. Proprietary Funds

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

Enterprise Funds

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

3. Fiduciary Funds

Trust and Agency Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency funds. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

4. Account Groups

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

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Fund</u>	<u>Increased/Decreased</u>
Special Revenue	(3,868)
Debt Service	4,533,000
Capital Projects	4,600
Enterprise	(31,097)
Agency	<u>(40,500)</u>
 Total Net Increase	 <u><u>\$4,462,135</u></u>

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 13.

E. Cash and Investments

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

During 2001, investments were limited to repurchase agreements, certificates of deposit, money market mutual funds, and federal agency securities, which are reported at both cost and Fair Value.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 2001 totaled \$194,019, which included \$139,253 assigned from other funds of the District.

The District utilizes a financial institution to service bonded debt as principal and interest come due. This account had a balance of \$159 at June 30, 2001. This depository account is presented on the combined balance sheet as "Cash with Fiscal Agent" since it is not required to be deposited into the District treasury.

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

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

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

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

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Buildings	20-50
Furniture, Fixtures and Minor Equipment	4-20
Vehicles	3-15
Land	0- 7

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

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

Entitlements	Reimbursable Grants
<p>General Fund State Foundation Program State Property Tax Relief</p>	<p>General Fund School Bus Purchases Driver Education</p>
<p>Debt Service Fund State Property Tax Relief</p>	<p>Special Revenue Fund Perkins Vocational Grant Telecommunications</p>
<p>Capital Projects Fund State Property Tax Relief</p>	<p>Proprietary Funds National School Lunch Program National School Milk Program Adult Education</p>
<p>Non-Reimbursable Grants</p>	
<p>Special Revenue Funds Teacher Development Management Information Systems Title VI-B Title I Title VI Drug-Free School Instructional Materials Subsidy Ohio Reads SchoolNet Professional Development Safe School Help Line</p>	
<p>Capital Project Funds School Net Technology Equity Emergency Building Repair Interactive Video Distance Learning</p>	

Grants and entitlements amounted to over 63% of the District's operating revenue during the 2001 fiscal year.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Equity

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

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (55) or greater with at least ten (25) years of service; all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

M. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$82,780	\$ 82,780
Current Year Set-aside Requirement	199,550	199,550	1,206	400,306
Current year offsets	(25,599)	(416,238)	0	(441,837)
Qualifying disbursements	(172,555)	(100,810)	0	(273,365)
Senate Bill 345 Adjustments	<u>0</u>	<u>0</u>	<u>(52,829)</u>	<u>(52,829)</u>
Total	<u>1,396</u>	<u>(317,498)</u>	<u>31,157</u>	<u>(284,945)</u>
Cash Balance Carried Forward to FY 2002	<u>1,396</u>	<u>0</u>	<u>31,157</u>	<u>32,553</u>
Qualifying Carry-Over Amounts to FY 2002	<u>\$0</u>	<u>(\$317,498)</u>	<u>\$ 0</u>	<u>(\$317,498)</u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisitions set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for budget stabilization	\$31,157
Amount restricted for textbooks	<u>1,396</u>
Total restricted assets	<u>\$32,553</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

Q. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

R. Estimates

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

S. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal year 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchanged transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

4. ACCOUNTABILITY AND COMPLIANCE

The School District is required to disclose all instances of violations of finance related legal provisions. During the audit period the School District was found to be in violation of the following provisions:

A. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI	(169)
Title VI-B	(3,719)
Title I	(25,900)
Drug-Free School Grant	(615)
Telecommunications	(608)
 <u>Enterprise Funds</u>	
Food Service	(13,453)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

B. Violations of Finance Related Legal Provisions

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

The following funds had expenditures plus encumbrances in excess of current appropriations plus prior period appropriations at the legal level of control:

<u>Fund Type</u>	<u>Appropriation Account Code</u>	<u>Month</u>	<u>Variance</u>
General Fund	001.2200.100	December 2000	(40,348)
Special Revenue Funds	599.1100.490	December 2000	(4,244)
Special Revenue Funds	599.1100.510	December 2000	(7,645)
Capital Project Funds	497.5200.423	December 2000	(32,815)
Capital Project Funds	010.5200.490	June 2001	(165,185)
Capital Project Funds	497.5200.423	June 2001	(50,000)

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE(Continued)

The following funds had expenditures plus encumbrances in excess of current appropriations plus prior period appropriations at the fund level at June 30, 2001:

<u>Fund Type</u>	<u>Fund Number</u>	<u>Period Ending</u>	<u>Estimated Budgetary Expenditures</u>	<u>Actual Budgetary Expenditures</u>	<u>Variance</u>
Capital Project Funds	010	June 2001	38,158	203,343	(165,185)
Capital Project Funds	497	June 2001	28,976	78,976	(50,000)

5. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with Fiscal Agent: At year end, \$159 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end the carrying amount of the District's deposits was \$1,845,280 and the bank balance was \$2,123,546. Of the bank balance:

1. \$150,234 was covered by federal deposit insurance.
2. \$1,973,312 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>Category of Risk 3</u>	<u>Fair Value</u>
Money Market Mutual Fund	\$211,426	\$211,426
Federal Agency Security	4,357,800	4,357,800
Repurchase Agreements	1,380,091	1,380,091
Total Investments	<u>\$5,949,317</u>	<u>\$5,949,317</u>

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

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

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9 Investments of the Cash Management Pool:	\$7,794,597	
Money Market Mutual Fund	(211,426)	211,426
Federal Agency Security	(4,357,800)	4,357,800
Repurchase Agreement	(1,380,091)	1,380,091
Cash with Fiscal Agent	<u>159</u>	<u> </u>
GASB Statement No. 3	<u>\$1,845,439</u>	<u>\$5,949,317</u>

6. INTERFUND TRANSACTIONS

A. Interfund Loans Payable/Receivable

Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$10,000	
<u>Special Revenue Funds</u>		
Title I		\$(8,000)
Title VI		(1,000)
Drug-Free School Grant	<u> </u>	<u>\$(1,000)</u>
Total Interfund Loans	<u>\$10,000</u>	<u>\$(10,000)</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

6. INTERFUND TRANSACTIONS (Continued)

B. Interfund balances at June 30,2001 consist of the following long-term advances:

	Interfund Loans Receivable	Interfund Loans (Payable)
General Fund	\$23,000	
<u>Capital Projects Fund</u> Classroom Facilities	_____	<u>\$(23,000)</u>
Total Interfund Loans	<u>\$23,000</u>	<u>\$(23,000)</u>

7. PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempted from taxation. The District receives a state subsidy in lieu of tax revenue which otherwise have been collected.

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second - Half Collections		2001 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$80,382,670	93.00%	\$80,858,410	93.23%
Public Utility	4,026,130	4.66%	3,680,540	4.24%
Tangible Personal Property	<u>2,023,537</u>	<u>2.34%</u>	<u>2,195,070</u>	<u>2.53%</u>
Total Assessed Value	<u>\$86,432,337</u>	<u>100.00%</u>	<u>\$86,734,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$ 48.3		\$ 48.65	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$137,817 in the General Fund; \$7,084 in the Permanent Improvement Fund; \$30,689 in the Debt Service Fund; and \$1,365 in the Maintenance Fund.

8. INCOME TAX

The District levies a voted tax of .75 of one percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1998, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$1,108,054 for fiscal 2001, which includes a receivable of \$322,689 at June 30, 2001.

9. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$1,951,409
Income tax	322,689
<u>Special Revenue Funds</u>	
Taxes - Current & Delinquent	43,099
<u>Debt Service Fund</u>	
Taxes - Current & Delinquent	417,571
<u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	99,625
<u>Enterprise Funds</u>	
Taxes - Current & Delinquent	5,075

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

10. FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance July 1, 2000	Increases	Decreases	Balance June 30, 2001
Land/Improvements	\$341,074			\$341,074
Buildings	1,826,650	10,398		1,837,048
Furniture/Equipment	1,893,678	204,395		2,098,073
Vehicles	127,474	55,428	(27,461)	155,441
Construction In Progress		147,440		147,440
Total	\$4,188,876	\$417,661	(\$27,461)	\$4,579,076

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$152,226
Less: Accumulated Depreciation	<u>(135,433)</u>
Net Fixed Assets	<u>\$ 16,793</u>

11. LONG-TERM OBLIGATIONS

On April 1, 2001, the District issued \$4,530,000 in general obligation bonds (Series 2001, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). OSFC has awarded the District a \$19,327,026 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 3.77 (average) mill bonded debt tax levy.

In conjunction with the 3.77 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the Special Revenue funds.

The Series 1987 general obligation bonds outstanding, which were issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District, for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 1.35 mill bonded debt tax levy.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. LONG-TERM OBLIGATIONS(Continued)

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Obligations Group.

Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 1.35 mill bonded debt tax levy.

The energy conservation note outstanding is general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, this note is accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to this note are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the New Lebanon Local School District bonds and notes outstanding as of June 30, 2001:

Description	Issue Date	Maturity Date	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 06/30/01
Building Renovations - 6.875%	01/01/87	12/01/10	\$495,000	\$ 0	\$45,000	\$450,000
Facilities Improvement - 5.08%			0	4,530,000	0	4,530,000
Energy Conservation Notes - 4.83%	09/29/97	08/06/30	<u>165,392</u>	<u>0</u>	<u>22,813</u>	<u>142,579</u>
			<u>\$660,392</u>	<u>\$4,530,000</u>	<u>\$67,813</u>	<u>\$5,122,579</u>

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

Year Ending June 30,	Principal On General Obligation Bonds	Principal On Energy Conservation Notes	Interest On General Obligation Bonds	Interest On Energy Conservation Notes	Total
2002	165,000	22,813	283,478	6,473	477,764
2003	165,000	22,813	239,625	5,371	432,809
2004	170,000	22,813	232,119	4,270	429,202
2005	175,000	22,813	224,274	3,168	425,255
2006	180,000	22,813	216,079	2,066	420,958
2007-2011	990,000	28,514	944,590	1,034	1,964,138
2012-2016	965,000	0	702,138	0	1,667,138
2017-2021	1,255,000	0	401,469	0	1,656,469
2022-2026	<u>915,000</u>	<u>0</u>	<u>71,426</u>	<u>0</u>	<u>986,426</u>
Total	<u>\$4,980,000</u>	<u>\$142,579</u>	<u>\$3,315,198</u>	<u>\$22,382</u>	<u>\$8,460,159</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. LONG-TERM OBLIGATIONS(Continued)

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated Absences	\$348,272	\$88,296		\$436,568
General Obligation				
Bonds	495,000	4,530,000	(\$45,000)	4,980,000
Pension obligation payable	75,408	74,551	(75,408)	74,551
Energy				
Conservation Notes	<u>165,392</u>	<u> </u>	<u>(22,813)</u>	<u>142,579</u>
TOTAL	<u>\$1,084,072</u>	<u>\$4,692,847</u>	<u>\$(143,221)</u>	<u>\$5,633,698</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of \$3,196,044 (including available funds of \$369,982) and an unvoted debt margin of \$86,734, and an unvoted energy conservation debt margin of \$638,027.

During fiscal 2001, the District issued a \$4,533,000 bond anticipation note. This note was issued in anticipation of the issuance of bonds described in Note 10 and was repaid during the fiscal year. The proceed for this note has been reported in the Capital Projects fund, which received the proceeds upon issuance and debt service activity for this note has been reported in the Debt Service Fund, of which the debt payments were paid.

The following is a description of the District's bond anticipation note activity during the fiscal year:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding 7/01/2000</u>	<u>Issued in 2001</u>	<u>Notes Retired in 2001</u>	<u>Notes Outstanding 06/30/2001</u>
Bond							
Anticipation Note	5.04%	12/27/00	06/07/01	\$ 0	\$4,533,000	\$(4,533,000)	\$ 0

12. RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2001, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

12. RISK MANAGEMENT (Continued)

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

OSBA Worker's Compensation Group Rating Program

The District is a member of the OSBA Workers' Compensation Group Rating Program (GRP) established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants 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.

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$ 242,297	\$ 46,353	\$ 785	\$ 289,435
Depreciation	3,051			3,051
Operating Income (loss)	(108,712)	8,506	785	(99,421)
Non-operating Revenues:				
Operating Grants	79,940			79,940
Donated Commodities	22,149			22,149
Net Income (loss)	(5,642)	8,506	785	3,649
Net Working Capital	(4,613)	6,515	3,215	5,117
Total Assets	53,268	16,553	4,000	73,821
Long-Term Liabilities				
Payable from Fund Revenues	16,342			16,342
Total Fund Equity	(13,453)	15,021	4,000	5,568
Encumbrances at 6/30/01		1,940		1,940

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 43215-3634. 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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$52,787, \$61,260, and \$157,466, respectively; 39 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$108,084, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$415,278, \$245,874 and \$532,014, respectively; 83% has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

15. 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$196,711 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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 basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$123,169.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

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

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis*	(\$125,657)	(\$17,654)	\$125,041	\$5,358,329
Net Adjustment for Revenue Accruals*	218,059	4,452	27,868	4,277
Net Adjustment for Expenditure Accruals	(117,775)	(3,984)	(61,458)	(91,292)
Net Adjustment for Other Financing Sources/(Uses)	(146,501)	(12,841)	46,210	0
Adjustment for Encumbrances*	<u>150,872</u>	<u>8,623</u>	<u>0</u>	<u>203,652</u>
GAAP Basis*	<u>\$ (21,002)</u>	<u>(\$21,404)</u>	<u>\$ 137,661</u>	<u>\$5,474,966</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

17. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 27, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

18. CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding as of June 30, 2001:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Fanning/Howey Architects	\$1,294,725	(\$143,096)	\$1,151,629
Lepi Industries	<u>56,598</u>	<u> </u>	<u>56,598</u>
Total	<u>\$1,351,323</u>	<u>(\$143,096)</u>	<u>\$1,208,227</u>

19. SIGNIFICANT SUBSEQUENT EVENTS

The labor agreement with classified employees expired as of June 30, 2001. As of the date of this report the District has been unable to reach agreement on a new contract with the union representing the employees. The process is currently in federal mediation.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$22,149		\$27,354
National School Lunch Program	10.555	LL-P1-2000	8,620		8,620	
		LL-P4-2000	3,177		3,177	
		LL-P1-2001	44,880		44,880	
		LL-P4-2001	19,854		19,854	
Total National School Lunch Program			<u>76,531</u>		<u>76,531</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>76,531</u>	<u>22,149</u>	<u>76,531</u>	<u>27,354</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Grants to Local Education Agencies (ESEA Title I)	84.010	C1-S1-2000			25,014	
		C1-S1-2001	53,167		61,167	
Total Grants to Local Education Agencies (ESEA Title I)			<u>53,167</u>		<u>86,181</u>	
Special Education Grants to States (IDEA Part B)	84.027	6B-SF-1999			4,810	
		6B-SF-2000	81,614		75,180	
Total Special Education Grants to States (IDEA Part B)			<u>81,614</u>		<u>79,990</u>	
Drug Free Schools	84.186	DR-S1-2000			2,203	
		DR-S1-2001	1,718		2,333	
Total Drug Free Schools			<u>1,718</u>		<u>4,536</u>	
Eisenhower Professional Development Grant	84.281	MS-S1-2001	3,326		3,326	
Innovative Education Program Strategy	84.298	C2-S1-1999			569	
		C2-S1-2000			1,146	
		C2-S1-2001	1,230		2,230	
Total Innovative Education Program Strategy			<u>1,230</u>		<u>3,945</u>	
Tech Literacy Challenge Fund	84.318	TF-14-1999			2,583	
		TF-15-1999	(289)		24,711	
Total Tech Literacy Challenge Fund			<u>(289)</u>		<u>27,294</u>	
Class Size Reduction Subsidy	84.340	CR-S1-2000			3,530	
		CR-S1-2001	3,699		3,405	
Total Class Size Reduction Subsidy			<u>3,699</u>		<u>6,935</u>	
<i>Passed through Montgomery County Educational Service Center</i>						
Vocational Education - Basic Grants to State	84.048	20-C1-2000			1,642	
		20-C1-2001	2,182		1,311	
Total Vocational Education - Basic Grants to State			<u>2,182</u>		<u>2,953</u>	
Total United States Department of Education			<u>146,647</u>		<u>215,160</u>	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	93.778	N/A	4,497		4,497	
Total Federal Assistance			<u>\$227,675</u>	<u>\$22,149</u>	<u>\$296,188</u>	<u>\$27,354</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Statement.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first. At June 30, 2001, the School District had \$380 in its food commodities inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

We have audited the financial statements of New Lebanon Local School District(the District), Montgomery County, as of and for the year ended June 30, 2001, and have issued our report thereon dated March 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2001-10357-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

**Internal Control Over Financial Reporting
(Continued)**

A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10357-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2002.

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.

Jim Petro
Auditor of State

March 27, 2002



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

New Lebanon Local School District
Montgomery County
278 East Main Street
New Lebanon, Ohio 45345

To the Board of Education:

Compliance

We have audited the compliance of New Lebanon Local School District (the District), Montgomery County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Lebanon Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level 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. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 27, 2002.

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

Jim Petro
Auditor of State

March 27, 2002

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	United States Dpt. of Agriculture- Nutrition Cluster: CFDA #'s 10.550 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-10357-001

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

The following funds had expenditures plus encumbrances in excess of current appropriations plus prior period appropriations at the legal level of control:

Fund Type	Appropriation Account Code	Month	Variance
General Fund	001.2200.100	December 2000	(40,348)
Special Revenue Funds	599.1100.490	December 2000	(4,244)
Special Revenue Funds	599.1100.510	December 2000	(7,645)
Capital Project Funds	497.5200.423	December 2000	(32,815)
Capital Project Funds	010.5200.490	June 2001	(165,185)
Capital Project Funds	497.5200.423	June 2001	(50,000)

The following funds had expenditures plus encumbrances in excess of current appropriations plus prior period appropriations at the fund level at June 30, 2001:

Fund Type	Fund Number	Period Ending	Estimated Budgetary Expenditures	Actual Budgetary Expenditures	Variance
Capital Project Funds	010	June 2001	38,158	203,343	(165,185)
Capital Project Funds	497	June 2001	28,976	78,976	(50,000)

To ensure that spending limits established by the board in the appropriations resolution are not exceeded, it is recommended that fiscal officer record all appropriations and amendments authorized by the board in the budgetary control expenditure account to prevent expenditures in excess of board authorization.

FINDING NUMBER 2001-10357-002

Certain deficiencies were noted in the District's policies and procedures in accounting for fixed assets. To ensure completeness, accuracy, and consistency in accounting for fixed assets, the District should amend its fixed asset policy to address the following conditions:

- A threshold amount for capitalizing fixed assets should be included in the District's written fixed asset policy, that will accurately reflect the size and scope of the organization;
- Under the District's current practice, capitalizing low value fixtures and equipment in the aggregate requires recording a large volume of additions and deletions of these items. The District should account for inexpensive furniture, office equipment, and small hand tools as current expenditures. This can be done without significantly affecting the usefulness of the District's fixed asset reporting;

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

**FINDING NUMBER 2001-10357-002
(Continued)**

- District reports for additions of equipment and furniture, buildings, and vehicles, were not supported by records and were difficult to trace to purchase orders. To allow for accurate reporting of fixed assets, as well as accurate recording of the District's assets, management should prepare a fixed asset additions report which should include at a minimum, the asset tag number, location, fund number, description, purchase amount, annual depreciation, accumulated depreciation, and purchase order number. Management should review and compare the fixed asset additions report for reasonable changes and compare these changes to total capitalized purchases recorded on the District's capital outlay expenditure reports;
- The District did not prepare a detailed schedule of fixed assets that were disposed of during the reporting period. To verify that the fixed asset deletions schedule is complete and accurate, the holding fund, tag numbers, locations, or other means of identifying the specific assets disposed of should be included on the schedule of sold or discarded fixed assets. Items on the schedule of deleted fixed assets should be valued at carrying value so as to ensure that the District's fixed assets are reported in accordance with generally accepted accounting principles.

Implementing these procedures will allow management to have greater accountability of fixed assets.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10357-001	Ohio Rev. Code Section 5705.29 (H) - Set-aside amount not available for appropriation.	Yes	Fully Corrected for fiscal year 2001.
2000-10357-002	Deficiencies in the District's policies and procedures in accounting for fixed assets.	No	Repeated finding in fiscal year 2001.



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NEW LEBANON LOCAL SCHOOL DISTRICT

MONTGOMERY 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
APRIL 16, 2002**