

**NEW LONDON
LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

GINA BLACKMAN, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
New London Local School District
2 Wildcat Drive
New London, Ohio 44851

We have reviewed the Independent Auditor's Report of the New London Local School District, Huron County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 28, 2001

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison - (Non-GAAP Budgetary Basis)	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings (Accumulated Deficit)/Fund Balance - Proprietary Fund Type and Nonexpendable Trust Fund	6
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund	7
Notes to the General Purpose Financial Statements	8 - 44
Supplemental Data	
Schedule of Expenditures of Federal Awards	45
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46 - 47
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	48 - 49
Schedule of Findings <i>OMB Circular A-133 §.505</i>	50 - 51

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Independent Auditor's Report

Board of Education
New London Local School District
2 Wildcat Drive
New London, Ohio 44851

We have audited the accompanying general purpose financial statements of the New London Local School District, Huron County, (the "District") as of and for the fiscal 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose 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 New London Local School District, Huron County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
November 9, 2001

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		General	
										Fixed Assets	Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$1,067,345	\$282,943	\$235,568	\$6,216,948	\$14,647	\$87,425			\$7,904,876		
Equity in pooled cash and cash equivalents - nonexpendable trust fund						285,519			285,519		
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent	1,900,847	253,443	47,770						2,202,060		
Accounts	280	2,801		521		13,774			3,081		
Due from other governments	26,076	13,007							40,371		
Materials and supplies inventory					13,100				13,007		
Restricted assets:											
Equity in pooled cash and cash equivalents	23,310								23,310		
Property, plant and equipment (net of accumulated depreciation where applicable)					63,821		\$19,799,976		19,863,797		
OTHER DEBITS:											
Amount available in debt service fund								\$269,701	269,701		
Amount to be provided for retirement of general long-term obligations								3,666,180	3,666,180		
Total assets and other debits	\$3,017,858	\$552,194	\$283,338	\$6,217,469	\$91,568	\$386,718	\$19,799,976	\$3,935,881	\$34,285,002		

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

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency		General Fixed Assets	General Long-Term Obligations
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$36,391	\$17,213		\$160	\$16	\$60			\$53,840		
Contracts payable				1,616,058					1,616,058		
Retainage payable				411,902					411,902		
Accrued wages and benefits	694,127	22,746		5	20,038			\$557,148	736,916		
Compensated absences payable	6,189				9,778			45,079	573,115		
Pension obligation payable	101,346				10,230				156,655		
Deferred revenue	1,377,433	248,270	\$13,637		10,000				1,649,340		
Due to students						43,985			43,985		
General obligation bonds payable							3,240,048		3,240,048		
Capital lease obligation payable							45,376		45,376		
Asbestos removal loans payable							48,230		48,230		
Total liabilities	2,215,486	288,229	13,637	2,028,125	50,062	44,045	3,935,881		8,575,465		
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$19,799,976	19,799,976		
Contributed capital					64,979				64,979		
Accumulated deficit					(23,473)				(23,473)		
Fund balances:											
Reserved for encumbrances	111,110	18,023		1,100,816		6,074			1,236,023		
Reserved for debt service			235,568						235,568		
Reserved for tax revenue unavailable for appropriation	233,625	5,173	34,133						272,931		
Reserved for principal endowment						265,507			265,507		
Reserved for scholarships	23,310					32,958			32,958		
Reserved for instructional materials	434,327	240,769		3,088,528		38,134			23,310		
Unreserved									3,801,758		
Total equity and other credits	802,372	263,965	269,701	4,189,344	41,506	342,673		19,799,976	25,709,537		
Total liabilities, equity and other credits	\$3,017,858	\$552,194	\$283,338	\$6,217,469	\$91,568	\$386,718	\$3,935,881	\$19,799,976	\$34,285,002		

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$2,269,687	\$30,495	\$205,557			\$2,505,739
Tuition	251,349					251,349
Earnings on investments	123,103	7,065		\$594,702	\$3,505	728,375
Other local revenues	53,644	245,787			11,126	310,557
Intergovernmental - State	4,298,308	76,382	29,790	8,298,081		12,702,561
Intergovernmental - Federal	10,161	318,011				328,172
Total revenues	7,006,252	677,740	235,347	8,892,783	14,631	16,826,753
Expenditures:						
Current:						
Instruction:						
Regular	3,576,200	130,225		50,678		3,757,103
Special	763,716	167,835				931,551
Vocational	198,712					198,712
Other	135,050	1,328				136,378
Support services:						
Pupil	196,023	15,347				211,370
Instructional staff	321,740	71,316		3,811	391	397,258
Board of Education	9,389					9,389
Administration	564,790	11,023	4,945			580,758
Fiscal	173,471	6,554				180,025
Business		139			14,020	14,159
Operations and maintenance	523,767	1,116		51,448		576,331
Pupil transportation	389,993	1,250				391,243
Community services	6,560	54,560				61,120
Extracurricular activities	181,488	188,592				370,080
Facilities acquisition and construction	145,363	8,574		14,189,535		14,343,472
Capital outlay	46,403					46,403
Debt service:						
Principal retirement	1,027		52,000			53,027
Interest and fiscal charges	1,228		156,685			157,913
Total expenditures	7,234,920	657,859	213,630	14,295,472	14,411	22,416,292
Excess (deficiency) of revenues over expenditures	(228,668)	19,881	21,717	(5,402,689)	220	(5,589,539)
Other financing sources (uses):						
Operating transfers out	(38,446)					(38,446)
Proceeds of capital lease	46,403					46,403
Proceeds from sale of fixed assets	289					289
Total other financing sources (uses)	8,246					8,246
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(220,422)	19,881	21,717	(5,402,689)	220	(5,581,293)
Fund balances (restated), July 1	1,022,794	244,084	247,984	9,592,033	43,988	11,150,883
Fund balances, June 30	\$802,372	\$263,965	\$269,701	\$4,189,344	\$44,208	\$5,569,590

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

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable Unfavorable)	Revised Budget	Actual	Variance: Favorable Unfavorable)	Budget Revised	Actual	Variance: Favorable Unfavorable)	Budget Revised	Actual	Variance: Favorable Unfavorable)	Budget Revised	Actual	Variance: Favorable Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$1,591,236	\$2,322,853	\$731,617 (20,693)	\$33,415	\$31,710	(\$1,705)	\$212,737	\$217,292	\$4,555				\$1,837,388	\$2,571,855	\$734,467 (20,693)
Tuition.....	273,579	252,886	(8,915)	7,533	7,568	35							273,579	252,886	(9,948)
Earnings on investments.....	117,865	108,950	(8,915)	241,769	242,897	1,128							693,081	683,133	(9,948)
Other local revenues.....	35,401	32,723	(2,678)	73,446	73,789	343	7,000	29,789	22,789				277,170	275,620	(1,550)
Intergovernmental - State.....	4,651,435	4,299,608	(351,827)	296,994	298,380	1,386							13,045,608	12,701,266	(344,342)
Intergovernmental - Federal.....	20,206	18,678	(1,528)	653,157	654,344	1,187	219,737	247,081	27,344				317,200	317,058	(142)
Total revenues.....	6,689,722	7,035,698	345,976	1,000,298	999,861	(437)	437,474	437,474	0	8,881,410	8,864,695	(16,715)	16,444,026	16,801,818	357,792
Expenditures:															
Current:															
Instruction:															
Regular.....	3,701,839	3,620,747	81,092	200,814	147,229	53,585				67,655	55,655	12,000	3,970,308	3,823,631	146,677
Special.....	847,572	789,356	58,216	204,514	175,280	29,234							1,052,086	964,636	87,450
Vocational.....	204,072	199,079	4,993										204,072	199,079	4,993
Other.....	145,597	139,197	6,400	1,581	1,328	253							147,178	140,525	6,653
Support services:															
Pupil.....	216,224	202,491	13,733	18,618	12,268	6,350				9,031	9,031	0	234,842	214,759	20,083
Instructional staff.....	352,762	325,981	26,781	74,652	64,801	9,851							436,445	399,813	36,632
Board of Education.....	10,155	9,284	871										10,155	9,284	871
Administration.....	591,505	567,083	24,422	13,588	11,026	2,562	5,804	4,945	859				610,897	583,054	27,843
Fiscal.....	187,522	174,305	13,217	9,375	6,645	2,730							196,897	180,950	15,947
Business.....				800	438	362							800	438	362
Operations and maintenance.....	587,314	540,871	46,443	1,374	1,116	258				51,448	51,448	0	640,136	593,435	46,701
Pupil transportation.....	469,966	422,226	47,740	1,250	1,250	0							471,216	423,476	47,740
Central.....				3,550	3,550	0							3,550	3,550	0
Community services.....	16,000	13,807	2,193	65,910	58,486	7,424							81,910	72,293	9,617
Extracurricular activities.....	194,825	181,468	13,357	236,156	198,786	37,370							430,981	380,254	50,727
Facilities acquisition and construction.....	172,239	154,932	17,307	8,974	8,574	400				17,015,618	15,178,074	1,837,544	17,196,831	15,341,580	1,855,251
Debt service:															
Principal retirement.....							52,000	52,000	0				52,000	52,000	0
Interest and fiscal charges.....							156,685	156,685	0				156,685	156,685	0
Total expenditures.....	7,697,592	7,340,827	356,765	841,156	690,777	150,379	214,489	213,630	859	17,143,752	15,294,208	1,849,544	25,896,989	23,539,442	2,357,547
Excess (deficiency) of revenues over expenditures.....	(1,007,870)	(305,129)	702,741	(187,999)	(36,433)	151,566	5,248	33,451	28,203	(8,262,342)	(6,429,513)	1,832,829	(9,452,963)	(6,737,624)	2,715,339
Other financing sources (uses):															
Refund of prior year's expenditures.....	50,537	46,714	(3,823)	836	840	4							51,373	47,554	(3,819)
Refund of prior year's receipts.....	(100)	(5)	95										(100)	95	(5)
Operating transfers (out).....	(40,000)	(38,446)	1,554										(40,000)	(38,446)	1,554
Advances in.....	4,352	4,023	(329)	3,332	3,348	16							7,684	7,371	(313)
Advances (out).....	(10,000)	(3,348)	6,652	0	(4,023)	(4,023)							(10,000)	(7,371)	2,629
Proceeds from sale of fixed assets.....	313	289	24										313	289	24
Total other financing sources (uses).....	5,102	9,227	4,125	4,168	165	(4,003)							9,270	9,392	122
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses).....	(1,002,768)	(295,902)	706,866	(183,831)	(36,268)	147,563	5,248	33,451	28,203	(8,262,342)	(6,429,513)	1,832,829	(9,443,693)	(6,728,232)	2,715,461
Fund balances (Restated), July 1.....	1,122,635	1,122,635	0	259,002	259,002	0	202,116	202,116	0	9,630,761	9,630,761	0	11,214,514	11,214,514	0
Prior year encumbrances appropriated.....	113,461	113,461	0	25,127	25,127	0				1,144,906	1,144,906	0	1,283,494	1,283,494	0
Fund balances, June 30.....	\$233,328	\$940,194	\$706,866	\$100,298	\$247,861	\$147,563	\$207,364	\$235,567	\$28,203	\$2,513,325	\$4,346,154	\$1,832,829	\$3,054,315	\$5,769,776	\$2,715,461

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

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:			
Sales/charges for services.	\$120,298		\$120,298
Interest revenue		\$18,544	18,544
 Total operating revenues.	120,298	18,544	138,842
Operating expenses:			
Personal services	161,804		161,804
Contract services	5,476		5,476
Materials and supplies.	82,453		82,453
Depreciation.	6,791		6,791
Other operating expenses		11,779	11,779
 Total operating expenses	256,524	11,779	268,303
Operating income (loss)	(136,226)	6,765	(129,461)
Nonoperating revenues:			
Operating grants	74,930		74,930
Interest revenue.	663		663
Gain on sale of assets.	810		810
Federal commodities	18,899		18,899
 Total nonoperating revenues	95,302		95,302
Net income (loss) before operating transfers	(40,924)	6,765	(34,159)
 Operating transfers in	38,446		38,446
Net income (loss).	(2,478)	6,765	4,287
Retained earnings (accumulated deficit) / fund balance, July 1.	(20,995)	291,700	270,705
Retained earnings (accumulated deficit) / fund balance, June 30.	(\$23,473)	\$298,465	\$274,992

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

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:			
Cash received from sales/service charges	\$120,298		\$120,298
Cash payments for personal services	(161,841)		(161,841)
Cash payments for contract services	(5,471)		(5,471)
Cash payments for supplies and materials	(63,993)		(63,993)
Cash payments for other expenses		(\$11,779)	(11,779)
Net cash used in operating activities	(111,007)	(11,779)	(122,786)
Cash flows from noncapital financing activities:			
Cash received from operating grants	83,322		83,322
Transfers in from other funds.	38,446		38,446
Net cash provided by noncapital financing activities.	121,768		121,768
Cash flows from capital and related financing activities:			
Gain on sale of capital assets.	810		810
Net cash provided by capital and related financing activities.	810		810
Cash flows from investing activities:			
Interest received	676	22,091	22,767
Net cash provided by investing activities.	676	22,091	22,767
Net increase in cash and cash equivalents			
	12,247	10,312	22,559
Cash and cash equivalents at beginning of year			
	2,400	275,207	277,607
Cash and cash equivalents at end of year			
	\$14,647	\$285,519	\$300,166
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$136,226)	\$6,765	(\$129,461)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation.	6,791		6,791
Federal donated commodities.	18,899		18,899
Interest reported as operating income.		(18,544)	(18,544)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(696)		(696)
Increase in accounts payable.	5		5
Decrease in accrued wages & benefits.	(1,716)		(1,716)
Decrease in compensated absences payable.	(71)		(71)
Increase in pension obligation payable	1,750		1,750
Increase in deferred revenue.	257		257
Net cash used in operating activities.	(\$111,007)	(\$11,779)	(\$122,786)
Noncash Investing, Capital and Financing Activities:			
Contributed capital:			
Contributions from other funds	\$54,480		

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The New London Local School District (the "District") is located in north-central Ohio in parts of Huron, Lorain, and Ashland counties. The District includes all of the village of New London and portions of surrounding townships.

The District is organized 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 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 40 non-certified and 79 certified (including administrative) full-time and part-time employees to provide services to approximately 1,156 students in grades K through 12 and various community groups, which ranks it 462nd of 682 public and community school districts in Ohio, and 5th largest of 7 districts in Huron County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity. When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Education Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2001 the District paid approximately \$8,713 to LEECA.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a jointly governed organization among 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870. During the year ended June 30, 2001 the District paid approximately \$877,007 to the Association.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 13.C. for further information on this group rating plan.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund, a nonexpendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3.D. for an analysis of agency fund accruals, which, in other fund types, would be recognized in the combined balance sheet.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

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.

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 and the expendable trust fund 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 and the nonexpendable trust fund 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust 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 60 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, but 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 and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 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 Huron 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 level of expenditures, for all funds except the general fund, which is enacted 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 for all funds other than the general fund or alter object appropriations within functions for the general fund must be approved by the Board of Education.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

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.
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 and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 14 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

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

During fiscal year 2001, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. The investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

By policy of the Board of Education, investment earnings are assigned to the General fund, the Permanent Improvement and Project Construction capital projects funds, the Food Service, Summer School and Adult Education enterprise funds, the Public School Support and District Managed Student Activities special revenue funds, Student-Managed Activity agency funds, and certain trust funds. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$123,103, which includes \$50,283 assigned from other District funds.

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

F. Inventory

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. 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 \$1,000 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

Asset	Life (years)
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	8 - 20
Vehicles	4 - 6

H. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Professional Development Block Grant
Classroom Facilities Maintenance
Management Information Systems
Title I
Title VI
Title VI-B
Disadvantaged Pupil Impact Aid
Network Connectivity
Drug-Free School
School Breakfast Start-up
SchoolNet Professional Development
Safe Schools Hotline
Title VI-R
Performance Incentive
Martha Holden Jennings Grant

Non-Reimbursable Grants - (Continued)

Capital Project Funds

SchoolNet
Technology Equity
Emergency School Building Repair
Ohio School Facilities Commission Grant

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education
Vocational Education Travel/Salary

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 77% of the District's operating revenue during the 2001 fiscal year.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

I. 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 Statement No. 16 of the Governmental Accounting Standards Board (GASB), "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all non-certified personnel employed at June 30, 2001, and all certified personnel employed at the District for 10 years or more as of June 30, 2001, were 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

J. 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 government 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.

K. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, principal endowment, scholarships, tax revenue unavailable for appropriation, and instructional materials. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

M. Statutory Reserves

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

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$ (9,119)	\$ 14,474	\$132,439
Current year set-aside requirement	150,053	150,053	1,097
Current year offsets		(32,051)	
Qualifying disbursements	(152,490)	(235,888)	
Change in statutory requirements			(133,536)
Total	<u>(11,556)</u>	<u>(103,412)</u>	<u>0</u>
Cash balance carried forward to FY 2002	<u>\$ (11,556)</u>	<u>\$ (103,412)</u>	<u>\$ 0</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The District elected to return these funds to the District's general unreserved fund balance except for the amount representing Bureau of Worker's Compensation (BWC) refunds which has been restricted for specific uses. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

The District had a qualifying textbook and capital acquisition set aside carryover of \$11,556 and \$103,412, respectively, which is a carryforward to fiscal 2002.

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

Amount restricted for BWC	<u>\$23,310</u>
Total restricted assets	<u>\$23,310</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

N. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2001.
4. 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. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds in Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust 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).

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

P. 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.

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish an instructional materials reserve. This reserve is required by State statute and may be used only for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.M. for detail of statutory reserves.

R. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or 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 LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

- i. The District has presented a restatement of certain fund balances as originally presented at June 30, 2000, because the District did not allocate the homestead exemption and rollback revenues from the State to the necessary funds in fiscal years 1999 and 2000. The effect of this adjustment to fund balances is as follows:

	Balance as Originally Presented June 30, 2000	Effect of Adjustment	Restated Balance July 1, 2000
General Fund	\$1,063,577	\$(40,783)	\$1,022,794
<u>Special Revenue Fund</u>			
Classroom Facilities Maintenance	241,991	2,093	244,084
<u>Debt Service Fund</u>	209,294	38,690	247,984

- ii. The District has presented a restatement of the liability for general obligation bonds payable as originally presented in the General Long-Term Obligations Account Group (GLTOAG) to reflect the inclusion of accreted interest at June 30, 2000. The effect of the restatement is as follows:

	Balance as Previously Reported June 30, 2000	Adjustment	Restated Balance July 1, 2000
<u>GLTOAG</u>			
General obligation bonds payable	\$3,250,673	\$13,067	\$3,263,740

B. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 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 nonexchange 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances/Retained Earnings

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

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Disadvantaged Pupil Impact Aid	\$ (184)
<u>Enterprise Fund</u>	
Food Service	(25,906)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

D. Agency Fund

The following accrual for the Student-Managed Activity agency fund would be recognized on the combined balance sheet in other fund types:

<u>ASSET</u>	
Accounts receivable	\$1,973

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested or deposited 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 or 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies 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.

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

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$1,568,255 and the bank balance, including non-negotiable certificates of deposit, was \$2,106,866. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$1,806,866 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

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

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

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	\$6,645,450	\$6,645,450
Total investments	<u>\$6,645,450</u>	<u>\$6,645,450</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 8,213,705	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(6,645,450)</u>	<u>6,645,450</u>
GASB Statement No. 3	<u>\$ 1,568,255</u>	<u>\$6,645,450</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(38,446)
<u>Enterprise Fund</u>		
Food Service	<u>\$38,446</u>	_____
Totals	<u>\$38,446</u>	<u>\$(38,446)</u>

NOTE 6 - 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	<u>2000 Second-Half Collections</u>		<u>2001 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$57,752,870	86.02	\$69,106,170	89.00
Public Utility Personal	4,883,480	7.28	4,321,740	5.57
Tangible Personal Property	<u>4,499,680</u>	<u>6.70</u>	<u>4,219,790</u>	<u>5.43</u>
	<u>\$67,136,030</u>	<u>100.00</u>	<u>\$77,647,700</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$29.70		\$29.70	
Debt Service	4.09		3.80	
Special Purpose			2.10	

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 Ashland, Lorain and Huron County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District their portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. 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. Available tax advances at June 30, 2001 totaled \$233,625 in the General fund, \$34,133 in the Debt Service fund and \$5,173 in the Special Revenue fund - Classroom Facilities Maintenance.

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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual 1% school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2001, was \$837,007.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. 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, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$1,606,533
School district income tax	294,314
Accrued interest	26,076
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	253,443
Due from other governments	13,007
<u>Debt Service Fund</u>	
Taxes - current & delinquent	47,770

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 9 - FIXED ASSETS

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

	<u>Balance at July 1, 2000</u>	<u>Increase</u>	<u>Deletions</u>	<u>Balance at June 30, 2001</u>
Land/improvements	\$ 309,096			\$ 309,096
Buildings/improvements	2,194,014			2,194,014
Equipment and vehicles	1,814,798	\$ 170,888	\$ (23,637)	1,962,049
Construction in progress	<u>2,319,478</u>	<u>13,015,339</u>	<u> </u>	<u>15,334,817</u>
Total	<u>\$6,637,386</u>	<u>\$13,186,227</u>	<u>\$ (23,637)</u>	<u>\$19,799,976</u>

The construction in progress represents costs incurred as of June 30, 2001, for the construction of a new elementary, middle and high school building. The total estimated cost of the building project is \$21,381,539.

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

Furniture and equipment	\$117,421
Less: accumulated depreciation	<u>(53,600)</u>
Net fixed assets	<u>\$ 63,821</u>

NOTE 10 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2001, are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$10,499
Current contributions from general fund	<u>54,480</u>
Contributed capital, June 30, 2001	<u>\$64,979</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year, the District has entered into a capitalized lease for the acquisition of copiers. The term of the lease provides an option to purchase the equipment. This meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The new lease transaction has been accounted for as a capital outlay expenditure and other financing source in the General fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$46,403, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$1,027. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001:

<u>Year Ending June 30</u>	<u>Copiers</u>
2002	\$ 13,531
2003	13,531
2004	13,531
2005	13,531
2006	<u>11,276</u>
Total Future Minimum Lease Payments	65,400
Less: Amount Representing Interest	<u>(20,024)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 45,376</u>

The District does not have capitalized lease obligations after fiscal year 2006.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS

- A. On October 1, 1999, the District issued \$3,250,673 in general obligation bonds (Series 1999, 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 an \$18,129,539 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 3.80 (average) mill bonded debt tax levy.

In conjunction with the 3.80 mills which support the bond issue, the District also passed in fiscal 2000 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.

This issue is comprised of current interest bonds, par value \$2,130,000, serial bonds, par value \$855,000, and capital appreciation bonds, par value \$580,000. The capital appreciation bonds mature each December 1, 2008 through 2011, (effective interest 7.639%, 7.701%, 7.634%, and 7.639%, respectively) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$265,673. Total accreted interest of \$34,375 has been included in the General Long-Term Obligations Account Group at June 30, 2001. The current interest bonds maturing on or after December 1, 2008 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2008 through November 30, 2009	101% of par
December 1, 2009 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. In 1986 and in 1995 the District received loans from the U.S. Environmental Protection Agency for an asbestos abatement project. These loans are interest free provided the District remains current on repayment. These loans are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. The outstanding balance of the loans is reported in the General Long-Term Obligations Account Group. Payments are recorded as expenditures of the Debt Service fund; current operating revenues provide the source for repayment.

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 and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	(Restated) Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>(Deletions)</u>	Balance <u>June 30, 2001</u>
<u>General Obligation Bonds:</u>				
Series 1999, Improvement 5.25%, 12/01/22 maturity	\$2,985,000		\$(45,000)	\$2,940,000
Series 1999, Improvement Capital Appreciation Bonds 7.639% to 7.701% (average effective) 12/01/08, 09, 10, & 11 maturity	265,673			265,673
Series 1999, Improvement Capital Appreciation Bonds Accrued Interest	<u>13,067</u>	<u>\$21,308</u>	<u>_____</u>	<u>34,375</u>
Total, General Obligation Bonds	<u>3,263,740</u>	<u>21,308</u>	<u>(45,000)</u>	<u>3,240,048</u>
<u>General Obligation Loans:</u>				
Asbestos Abatement, 1989 0%, 05/30/08 maturity	16,010		(2,000)	14,010
Asbestos Abatement, 1995 0%, 05/31/08 maturity	<u>39,220</u>	<u>_____</u>	<u>(5,000)</u>	<u>34,220</u>
Total, General Obligation Loans	<u>55,230</u>	<u>_____</u>	<u>(7,000)</u>	<u>48,230</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

	(Restated) Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>(Deletions)</u>	Balance <u>June 30, 2001</u>
<u>Other Obligations:</u>				
Compensated Absences	\$ 529,450	\$27,698	\$ 0	\$ 557,148
Pension Benefit Obligation	43,922	45,079	(43,922)	45,079
Capital Lease	<u>0</u>	<u>46,403</u>	<u>(1,027)</u>	<u>45,376</u>
Total, Other Obligations	<u>573,372</u>	<u>119,180</u>	<u>(44,949)</u>	<u>647,603</u>
Total, All General Long-Term Liabilities	<u>\$3,892,342</u>	<u>\$140,488</u>	<u>\$(96,949)</u>	<u>\$3,935,881</u>

D. Principal and interest requirements to retire general obligation bonds and asbestos removal loans outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Term Bonds</u>	<u>Capital Appreciation General Obligation Bonds</u>	<u>Asbestos Removal Loans</u>	<u>Total</u>
2002	\$ 239,066		\$ 7,000	\$ 246,066
2003	245,284		7,000	252,284
2004	255,845		7,000	262,845
2005	255,837		7,000	262,837
2006	265,260		7,000	272,260
2007 - 2011	526,664	\$ 435,000	13,230	974,894
2012 - 2016	1,041,548	145,000		1,186,548
2017 - 2021	1,300,131			1,300,131
2022 - 2023	<u>518,215</u>			<u>518,215</u>
Total Obligation	4,647,850	580,000	48,230	5,276,080
Less: Interest	<u>(1,707,850)</u>	<u>(279,952)</u>	<u>0</u>	<u>(1,987,802)</u>
Total Principal	<u>\$ 2,940,000</u>	<u>\$ 300,048</u>	<u>\$48,230</u>	<u>\$ 3,288,278</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

E. 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 \$4,017,946 (including available funds of \$269,701) and an unvoted debt margin of \$77,648.

NOTE 13 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Utica National Company, which includes boiler coverage. The deductible is \$500 per incident. All vehicles are insured with Nationwide Insurance Company and have a \$100 deductible on collision and \$50 on comprehensive. All board members, administrators and employees are covered under a school district liability policy with Nationwide Insurance. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 aggregate. Settled claims have not exceeded these commercial insurance coverages in any of the past three years.

B. Employee Dishonesty Bonds

The board president is covered with a surety bond for \$20,000 through the OSBA Board Program. The superintendent and the treasurer are covered by a \$20,000 and a \$100,000 surety bond respectively. The student activity clerk/treasurer's secretary is also covered by a surety bond in the amount of \$10,000. These bonds are all with the Western Surety Company. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$10,000. This coverage is provided by the State Auto Insurance Company. Settled claims have not exceeded these commercial insurance coverages in any of the past three years.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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.

D. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, vision, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 14 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of Food Services, Summer School, 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>Summer School</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$ 120,298			\$ 120,298
Operating expenses before depreciation	249,733			249,733
Depreciation	6,791			6,791
Operating loss	(136,226)			(136,226)
Operating grants	74,930			74,930
Operating transfers in	38,446			38,446
Net income (loss)	(2,612)	\$ 104	\$ 30	(2,478)
Net working capital	(14,970)	1,893	540	(12,537)
Total assets	89,135	1,893	540	91,568
Total liabilities	50,062			50,062
Total retained earnings (accumulated deficit)	(25,906)	1,893	540	(23,473)
Contributed capital	64,979			64,979
Total fund equity	39,073	1,893	540	41,506
Encumbrances at June 30, 2001	215			215

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$189,424, \$182,965, and \$175,283, respectively; 44% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$62,028, representing 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 District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$613,556, \$587,140, and \$521,681, respectively; 85% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$83,332, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 16 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the 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 funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$180,481 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$78,993 during the 2001 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(295,902)	\$(36,268)	\$ 33,451	\$(6,429,513)
Net adjustment for revenue accruals	(29,446)	23,396	(11,734)	28,088
Net adjustment for expenditure accruals	(40,777)	(1,769)		(852,561)
Net adjustment for other financing sources/(uses)	(981)	(165)		
Adjustment for encumbrances	<u>146,684</u>	<u>34,687</u>	_____	<u>1,851,297</u>
GAAP basis	<u>\$(220,422)</u>	<u>\$ 19,881</u>	<u>\$ 21,717</u>	<u>\$(5,402,689)</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 18 - 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

The District is not currently a party to any legal proceedings.

C. State 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 November 9, 2001, 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

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

NOTE 18 - CONTINGENCIES - (Continued)

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 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.

NOTE 19 - 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>
MJ Brown	\$ 945,056	\$ 833,025	\$ 112,031
Capital Equipment Inc.	344,326		344,326
Continental Office Environment	308,722		308,722
Folding Equipment Co.	119,930		119,930
Giambrone Masonry	2,294,660	2,207,497	87,163
Guenther Mechanical	2,151,032	1,967,393	183,639
Interstate Welding	1,408,400	1,344,700	63,700
LaGrange Plumbing	926,015	755,033	170,982
Lake Erie Electric	2,255,836	1,809,370	446,466
Metro Window & Glass	358,679	306,965	51,714
Reinharts Landscaping	220,625		220,625
AJ Riley	334,980	188,880	146,100
Rizzi Dist.	356,763	260,137	96,626
Mark Schaffer	1,295,725	1,184,460	111,265
Service Supply Ltd.	97,143		97,143
Tom Sexton & Assoc.	339,765		339,765
Smith Schaefer	145,953		145,953
CT Taylor	3,679,595	2,861,299	818,296
Tele-Communications Inc.	55,000		55,000
D. E. Williams Electric	669,794		669,794
Totals	<u>\$18,307,999</u>	<u>\$13,718,759</u>	<u>\$4,589,240</u>

SUPPLEMENTAL DATA

**NEW LONDON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$15,827		\$18,899
(A) (C) School Breakfast Program	10.553	047720-05-PU 2000	\$1,817		\$1,817	
(A) (C) School Breakfast Program	10.553	047720-05-PU 2001	14,414		14,414	
(A) (C) School Breakfast Program	10.553	047720-LL-P1 2000	11,605		11,605	
(A) (C) National School Lunch	10.555	047720-LL-P4 2000	3,566		3,566	
(A) (C) National School Lunch	10.555	047720-LL-P1 2001	37,641		37,641	
(A) (C) National School Lunch	10.555	047720-LL-P4 2001	11,002		11,002	
Total U. S. Department of Agriculture and Nutrition Cluster			80,045	15,827	80,045	18,899
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	047720-C1-S1 2000	0		20,188	
Title I - Grants to Local Educational Agencies	84.010	047720-C1-S1 2000 C	0		3,303	
Title I - Grants to Local Educational Agencies	84.010	047720-C1-S1 2001	132,567		103,148	
Total Title I			132,567		126,639	
Special Education Cluster:						
(F) Title VI-B -Education of the Handicapped Act	84.027	047720-6B-SF 2000 P	0		3,863	
(F) Title VI-B -Education of the Handicapped Act	84.027	047720-6B-SF 2001 P	76,583		73,407	
Total Title VI-B			76,583		77,270	
(E) (F) Preschool Handicapped	84.173	N/A	5,363		7,786	
Total Special Education Cluster			81,946		85,056	
Safe and Drug-Free Schools State Grants	84.186	047720-DR-S1 2000	675		1,371	
Safe and Drug-Free Schools State Grants	84.186	047720-DR-S1 2001	4,750		937	
Total Safe and Drug-Free Schools Grant			5,425		2,308	
Goals 2000	84.276	047720-G2-S1 2000	0		19,676	
Goals 2000	84.276	047720-G2-S2 2000	14,000		9,213	
Goals 2000	84.276	047720-G2-S1 2001	18,830		15,353	
Goals 2000	84.276	047720-G2-S2 2001	13,000		369	
Total Goals 2000			45,830		44,611	
Eisenhower Professional Development Grant	84.281	047720-MS-S1 2001	4,874		4,874	
(E) Eisenhower Professional Development Grant	84.281	N/A	1,392		3,105	
Total Eisenhower			6,266		7,979	
Title VI - Innovative Educational Program Strategies	84.298	047720-C2-S1 1999 C	0		1,882	
Title VI - Innovative Educational Program Strategies	84.298	047720-C2-S1 2000 C	0		776	
Title VI - Innovative Educational Program Strategies	84.298	047720-C2-S1 2001	5,669		4,319	
Total Title VI-Innovative Educational Program Strategies			5,669		6,977	
Class Size Reduction	84.340	047720-CR-S1 2000	2,361		5,096	
Class Size Reduction	84.340	047720-CR-S1 2001	25,071		22,538	
Total Class Size Reduction			27,432		27,634	
(G) Perkins Grants	84.038	N/A	10,162		10,162	
Total U. S. Department of Education			315,297		311,366	
Total Federal Financial Assistance			\$395,342	\$15,827	\$391,411	\$18,899

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

(E) Passed through Erie-Huron-Ottawa ESC.
 (F) Included as part of "Special Education Cluster" in determining major programs.
 (G) Passed through EHOVE Career Center

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
New London Local School District
2 Wildcat Drive
New London, Ohio 44851

We have audited the general purpose financial statements of New London Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated November 9, 2001. 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 New London Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of New London Local School District in a separate letter dated November 9, 2001.

Board of Education
New London Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of New London Local School District in a separate letter dated November 9, 2001.

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

Trimble, Julian & Grube, Inc.
November 9, 2001

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

Board of Education
New London Local School District
2 Wildcat Drive
New London, Ohio 44851

Compliance

We have audited the compliance of New London Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2001. New London Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of New London Local School District's management. Our responsibility is to express an opinion on New London Local School 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, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about New London Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New London Local School District's compliance with those requirements.

Board of Education
New London Local School District

In our opinion, New London Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
November 9, 2001

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2001**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2001**

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

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title I; CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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NEW LONDON LOCAL SCHOOL DISTRICT

HURON 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
JANUARY 15, 2002**