

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

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2002***

**BART GRIFFITH, TREASURER**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Lexington Local School District, Richland County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

December 27, 2002

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

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Lexington Local School District, Richland County (the “District”) as of and for the fiscal year ended June 30, 2002, 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 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 the Lexington Local School District, Richland County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 1, 2002

**LEXINGTON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,823,165	\$ 128,953	\$ -	\$ 51,050
Cash with fiscal agent . . . . .	-	-	44,745	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	7,853,414	-	-	532,444
Accounts . . . . .	894	18	-	-
Accrued interest . . . . .	53	-	-	-
Interfund loan receivable . . . . .	90,000	-	-	-
Due from other governments . . . . .	-	2,224	-	-
Materials and supplies inventory . . . . .	27,069	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	81,351	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b><u>\$ 10,875,946</u></b>	<b><u>\$ 131,195</u></b>	<b><u>\$ 44,745</u></b>	<b><u>\$ 583,494</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 29,343	\$ 2,366	\$ -	\$ -
Accrued wages and benefits . . . . .	2,172,218	6,182	-	-
Compensated absences payable . . . . .	140,886	-	-	-
Pension obligation payable . . . . .	240,516	-	-	-
Interfund loan payable . . . . .	-	-	-	90,000
Due to other governments . . . . .	37,671	185	-	298
Deferred revenue . . . . .	7,180,201	-	-	486,067
Due to students . . . . .	-	-	-	-
Claims payable . . . . .	-	-	-	-
Accrued interest payable . . . . .	-	-	-	848
Matured bonds payable . . . . .	-	-	44,745	-
General obligation notes payable . . . . .	-	-	-	82,170
Energy conservation notes payable . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b><u>9,800,835</u></b>	<b><u>8,733</u></b>	<b><u>44,745</u></b>	<b><u>659,383</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings (accumulated deficit): unreserved . . . . .	-	-	-	-
Fund balances:				
Reserved for encumbrances . . . . .	158,791	18,760	-	4,338
Reserved for materials and supplies inventory . . . . .	27,069	-	-	-
Reserved for tax revenue unavailable for appropriation . . . . .	528,625	-	-	36,217
Reserved for BWC refunds . . . . .	81,351	-	-	-
Unreserved-undesignated . . . . .	279,275	103,702	-	(116,444)
<b>Total equity and other credits . . . . .</b>	<b><u>1,075,111</u></b>	<b><u>122,462</u></b>	<b><u>-</u></b>	<b><u>(75,889)</u></b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b><u>\$ 10,875,946</u></b>	<b><u>\$ 131,195</u></b>	<b><u>\$ 44,745</u></b>	<b><u>\$ 583,494</u></b>

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



Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 135,159	\$ 94,670	\$ 42,174	\$ -	\$ -	\$ 3,275,171
-	-	-	-	-	44,745
-	-	-	-	-	8,385,858
32	15,445	-	-	-	16,389
-	-	-	-	-	53
-	-	-	-	-	90,000
-	-	-	-	-	2,224
49,226	-	-	-	-	76,295
-	-	-	-	-	81,351
35,826	-	-	12,958,440	-	12,994,266
-	-	-	-	2,344,170	2,344,170
<u>\$ 220,243</u>	<u>\$ 110,115</u>	<u>\$ 42,174</u>	<u>\$ 12,958,440</u>	<u>\$ 2,344,170</u>	<u>\$ 27,310,522</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,709
69,053	-	-	-	-	2,247,453
71,908	-	-	-	1,472,123	1,684,917
31,780	-	-	-	102,047	374,343
-	-	-	-	-	90,000
1,030	-	-	-	-	39,184
43,833	-	-	-	-	7,710,101
-	-	42,174	-	-	42,174
-	295,748	-	-	-	295,748
-	-	-	-	-	848
-	-	-	-	-	44,745
-	-	-	-	-	82,170
-	-	-	-	770,000	770,000
<u>217,604</u>	<u>295,748</u>	<u>42,174</u>	<u>-</u>	<u>2,344,170</u>	<u>13,413,392</u>
-	-	-	12,958,440	-	12,958,440
2,639	(185,633)	-	-	-	(182,994)
-	-	-	-	-	181,889
-	-	-	-	-	27,069
-	-	-	-	-	564,842
-	-	-	-	-	81,351
-	-	-	-	-	266,533
<u>2,639</u>	<u>(185,633)</u>	<u>-</u>	<u>12,958,440</u>	<u>-</u>	<u>13,897,130</u>
<u>\$ 220,243</u>	<u>\$ 110,115</u>	<u>\$ 42,174</u>	<u>\$ 12,958,440</u>	<u>\$ 2,344,170</u>	<u>\$ 27,310,522</u>

**LEXINGTON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES/(DEFICIT)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
From local sources:				
Taxes . . . . .	\$ 7,889,280	\$ -	\$ 562,241	\$ 8,451,521
Tuition . . . . .	61,103	-	-	61,103
Earnings on investments . . . . .	142,950	-	-	142,950
Extracurricular . . . . .	-	271,936	-	271,936
Other local revenues . . . . .	117,743	8,409	30,000	156,152
Intergovernmental - State . . . . .	9,525,752	134,755	117,479	9,777,986
Intergovernmental - Federal . . . . .	-	279,474	-	279,474
Total revenues . . . . .	<u>17,736,828</u>	<u>694,574</u>	<u>709,720</u>	<u>19,141,122</u>
Expenditures:				
Current:				
Instruction:				
Regular . . . . .	8,233,881	100,533	135,747	8,470,161
Special . . . . .	1,196,820	107,762	-	1,304,582
Other . . . . .	297,711	-	-	297,711
Support services:				
Pupil . . . . .	601,413	100,317	-	701,730
Instructional staff . . . . .	1,140,807	52,132	25,947	1,218,886
Board of Education . . . . .	5,791	-	-	5,791
Administration . . . . .	1,530,610	68,610	6,893	1,606,113
Fiscal . . . . .	404,469	-	17,257	421,726
Operations and maintenance . . . . .	1,574,912	-	170,636	1,745,548
Pupil transportation . . . . .	1,024,502	-	142,394	1,166,896
Central . . . . .	23,044	27,864	6,508	57,416
Community services . . . . .	-	2,851	21,854	24,705
Extracurricular activities . . . . .	603,098	196,335	96,152	895,585
Facilities acquisition and construction . . . . .	174,593	-	13,397	187,990
Debt service:				
Principal retirement . . . . .	60,000	-	95,000	155,000
Interest and fiscal charges . . . . .	94,156	-	11,778	105,934
Total expenditures . . . . .	<u>16,965,807</u>	<u>656,404</u>	<u>743,563</u>	<u>18,365,774</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>771,021</u>	<u>38,170</u>	<u>(33,843)</u>	<u>775,348</u>
Other financing sources:				
Proceeds from sale of fixed assets . . . . .	<u>3,336</u>	-	-	<u>3,336</u>
Total other financing sources . . . . .	<u>3,336</u>	-	-	<u>3,336</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	774,357	38,170	(33,843)	778,684
Fund balances, July 1 (restated) . . . . .	300,845	84,292	(42,046)	343,091
Decrease in reserve for inventory . . . . .	(91)	-	-	(91)
Fund balances/(deficit), June 30 . . . . .	<u>\$ 1,075,111</u>	<u>\$ 122,462</u>	<u>\$ (75,889)</u>	<u>\$ 1,121,684</u>

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

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**LEXINGTON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 8,600,000	\$ 7,678,590	\$ (921,410)	\$ -	\$ -	\$ -
Tuition . . . . .	74,992	82,478	7,486	-	-	-
Earnings on investments . . . . .	128,945	141,817	12,872	-	-	-
Extracurricular . . . . .	-	-	-	269,582	272,056	2,474
Other local revenues . . . . .	89,594	98,538	8,944	8,315	8,391	76
Intergovernmental - State . . . . .	8,790,071	9,525,752	735,681	133,530	134,755	1,225
Intergovernmental - Federal . . . . .	-	-	-	274,729	277,250	2,521
Total revenues . . . . .	<u>17,683,602</u>	<u>17,527,175</u>	<u>(156,427)</u>	<u>686,156</u>	<u>692,452</u>	<u>6,296</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	8,502,960	8,257,002	245,958	126,374	108,336	18,038
Special . . . . .	1,170,303	1,136,451	33,852	118,811	101,852	16,959
Other . . . . .	314,817	305,711	9,106	-	-	-
Support services:						
Pupil . . . . .	613,619	595,869	17,750	117,020	100,317	16,703
Instructional staff . . . . .	1,159,214	1,125,682	33,532	77,165	66,151	11,014
Board of Education . . . . .	6,038	5,863	175	-	-	-
Administration . . . . .	1,565,018	1,519,748	45,270	80,995	69,434	11,561
Fiscal . . . . .	416,125	404,088	12,037	-	-	-
Operations and maintenance . . . . .	1,591,982	1,545,932	46,050	-	-	-
Pupil transportation . . . . .	1,036,805	1,006,814	29,991	-	-	-
Central . . . . .	25,785	25,039	746	32,503	27,864	4,639
Community services . . . . .	-	-	-	3,326	2,851	475
Extracurricular activities . . . . .	562,233	545,970	16,263	209,054	199,213	9,841
Facilities acquisition & construction . . . . .	181,744	176,487	5,257	-	-	-
Debt service:						
Principal retirement . . . . .	1,594,000	1,594,000	-	-	-	-
Interest and fiscal charges . . . . .	94,156	94,156	-	-	-	-
Total expenditures . . . . .	<u>18,834,799</u>	<u>18,338,812</u>	<u>495,987</u>	<u>765,248</u>	<u>676,018</u>	<u>89,230</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,151,197)</u>	<u>(811,637)</u>	<u>339,560</u>	<u>(79,092)</u>	<u>16,434</u>	<u>95,526</u>
<b>Other financing sources (uses):</b>						
Advances in . . . . .	64,031	70,423	6,392	-	-	-
Advances out . . . . .	(165,201)	(160,423)	4,778	-	-	-
Proceeds of notes . . . . .	1,394,763	1,534,000	139,237	-	-	-
Proceeds from sale of fixed assets . . . . .	3,033	3,336	303	-	-	-
Refund of prior year expenditure . . . . .	127,479	140,205	12,726	-	-	-
Total other financing sources (uses) . . . . .	<u>1,424,105</u>	<u>1,587,541</u>	<u>163,436</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>272,908</u>	<u>775,904</u>	<u>502,996</u>	<u>(79,092)</u>	<u>16,434</u>	<u>95,526</u>
Fund balances, July 1 . . . . .	1,691,997	1,691,997	-	82,891	82,891	-
Prior year encumbrances appropriated . . . . .	247,310	247,310	-	7,723	7,723	-
Fund balances, June 30 . . . . .	<u>\$ 2,212,215</u>	<u>\$ 2,715,211</u>	<u>\$ 502,996</u>	<u>\$ 11,522</u>	<u>\$ 107,048</u>	<u>\$ 95,526</u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 548,017	\$ 548,017	\$ -	\$ 9,148,017	\$ 8,226,607	\$ (921,410)
-	-	-	74,992	82,478	7,486
-	-	-	128,945	141,817	12,872
-	-	-	269,582	272,056	2,474
30,000	30,000	-	127,909	136,929	9,020
117,479	117,479	-	9,041,080	9,777,986	736,906
-	-	-	274,729	277,250	2,521
<u>695,496</u>	<u>695,496</u>	<u>-</u>	<u>19,065,254</u>	<u>18,915,123</u>	<u>(150,131)</u>
97,131	135,747	(38,616)	8,726,465	8,501,085	225,380
1,002	1,400	(398)	1,290,116	1,239,703	50,413
-	-	-	314,817	305,711	9,106
-	-	-	730,639	696,186	34,453
32,463	25,947	6,516	1,268,842	1,217,780	51,062
-	-	-	6,038	5,863	175
4,719	6,595	(1,876)	1,650,732	1,595,777	54,955
12,348	17,257	(4,909)	428,473	421,345	7,128
275,025	170,635	104,390	1,867,007	1,716,567	150,440
101,887	142,394	(40,507)	1,138,692	1,149,208	(10,516)
4,657	6,509	(1,852)	62,945	59,412	3,533
15,637	21,854	(6,217)	18,963	24,705	(5,742)
113,663	97,292	16,371	884,950	842,475	42,475
11,874	16,595	(4,721)	193,618	193,082	536
115,420	115,420	-	1,709,420	1,709,420	-
10,830	10,930	(100)	104,986	105,086	(100)
<u>796,656</u>	<u>768,575</u>	<u>28,081</u>	<u>20,396,703</u>	<u>19,783,405</u>	<u>613,298</u>
<u>(101,160)</u>	<u>(73,079)</u>	<u>28,081</u>	<u>(1,331,449)</u>	<u>(868,282)</u>	<u>463,167</u>
90,000	90,000	-	154,031	160,423	6,392
-	-	-	(165,201)	(160,423)	4,778
-	-	-	1,394,763	1,534,000	139,237
-	-	-	3,033	3,336	303
-	-	-	127,479	140,205	12,726
<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>1,514,105</u>	<u>1,677,541</u>	<u>163,436</u>
(11,160)	16,921	28,081	182,656	809,259	626,603
12,392	12,392	-	1,787,280	1,787,280	-
17,399	17,399	-	272,432	272,432	-
<u>\$ 18,631</u>	<u>\$ 46,712</u>	<u>\$ 28,081</u>	<u>\$ 2,242,368</u>	<u>\$ 2,868,971</u>	<u>\$ 626,603</u>

**LEXINGTON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS/(ACCUMULATED DEFICIT)  
 ALL PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services . . . . .	\$ 579,550	\$ 2,087,362	\$ 2,666,912
Other operating revenues . . . . .	<u>383</u>	<u>10,170</u>	<u>10,553</u>
Total operating revenues . . . . .	<u>579,933</u>	<u>2,097,532</u>	<u>2,677,465</u>
Operating expenses:			
Personal services . . . . .	450,248	-	450,248
Contract services . . . . .	6,761	327,598	334,359
Materials and supplies . . . . .	306,036	-	306,036
Depreciation . . . . .	7,283	-	7,283
Claims expense . . . . .	<u>-</u>	<u>1,948,213</u>	<u>1,948,213</u>
Total operating expenses . . . . .	<u>770,328</u>	<u>2,275,811</u>	<u>3,046,139</u>
Operating loss . . . . .	<u>(190,395)</u>	<u>(178,279)</u>	<u>(368,674)</u>
Nonoperating revenues:			
Operating grants . . . . .	117,559	-	117,559
Federal commodities . . . . .	76,418	-	76,418
Interest revenue . . . . .	<u>2,306</u>	<u>1,929</u>	<u>4,235</u>
Total nonoperating revenues . . . . .	<u>196,283</u>	<u>1,929</u>	<u>198,212</u>
Net income (loss) . . . . .	5,888	(176,350)	(170,462)
(Accumulated deficit), July 1 . . . . .	<u>(3,249)</u>	<u>(9,283)</u>	<u>(12,532)</u>
Retained earnings/(accumulated deficit), June 30. .	<u>\$ 2,639</u>	<u>\$ (185,633)</u>	<u>\$ (182,994)</u>

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

**LEXINGTON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges . . . . .	\$ 579,550	\$ 2,087,362	\$ 2,666,912
Cash received from other operations . . . . .	346	-	346
Cash payments for personal services . . . . .	(457,694)	-	(457,694)
Cash payments for contract services . . . . .	(6,761)	(327,598)	(334,359)
Cash payments for materials and supplies . . . . .	(229,818)	-	(229,818)
Cash payments for claims expenses . . . . .	-	(1,870,953)	(1,870,953)
Net cash used in operating activities . . . . .	<u>(114,377)</u>	<u>(111,189)</u>	<u>(225,566)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	<u>132,740</u>	<u>-</u>	<u>132,740</u>
Net cash provided by noncapital financing activities . . . . .	<u>132,740</u>	<u>-</u>	<u>132,740</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets . . . . .	<u>(5,207)</u>	<u>-</u>	<u>(5,207)</u>
Net cash used in capital and related financing activities . . . . .	<u>(5,207)</u>	<u>-</u>	<u>(5,207)</u>
Cash flows from investing activities:			
Interest received . . . . .	<u>2,306</u>	<u>1,929</u>	<u>4,235</u>
Net cash provided by investing activities . . . . .	<u>2,306</u>	<u>1,929</u>	<u>4,235</u>
Net increase (decrease) in cash and cash equivalents . . . . .	15,462	(109,260)	(93,798)
Cash and cash equivalents at beginning of year . . . . .	<u>119,697</u>	<u>203,930</u>	<u>323,627</u>
Cash and cash equivalents at end of year . . . . .	<u>\$ 135,159</u>	<u>\$ 94,670</u>	<u>\$ 229,829</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss . . . . .	\$ (190,395)	\$ (178,279)	\$ (368,674)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation . . . . .	7,283	-	7,283
Federal donated commodities . . . . .	76,418	-	76,418
Changes in assets and liabilities:			
Increase in materials and supplies inventory . . . . .	(15,862)	-	(15,862)
Increase in accounts receivable . . . . .	(32)	(10,170)	(10,202)
Decrease in accrued wages and benefits . . . . .	(2,502)	-	(2,502)
Decrease in compensated absences payable . . . . .	(3,138)	-	(3,138)
Increase in due to other governments . . . . .	1,030	-	1,030
Decrease in pension obligation payable . . . . .	(2,841)	-	(2,841)
Increase in claims payable . . . . .	-	77,260	77,260
Increase in deferred revenue . . . . .	<u>15,662</u>	<u>-</u>	<u>15,662</u>
Net cash used in operating activities . . . . .	<u>\$ (114,377)</u>	<u>\$ (111,189)</u>	<u>\$ (225,566)</u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District ranks as the 169<sup>th</sup> largest by total enrollment among the 705 public and community school districts in the state. It currently operates 5 instructional facilities. The District employs 118 non-certified and 180 certified employees to provide services to approximately 2,823 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.



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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*JOINT VENTURE WITHOUT EQUITY INTEREST*

Heartland Council of Governments (Heartland)

Heartland is a joint venture among 21 school districts and 3 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports Heartland based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months of financial contribution. Heartland is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in Heartland because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

*JOINTLY GOVERNED ORGANIZATION*

Pioneer Career and Technology Center (PCTC)

The Pioneer Career and Technology Center (a vocational school district), is a distinct political subdivision of the State of Ohio. PCTC is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, and possesses its own budgeting and taxing authority. To obtain financial information write to the Pioneer Career and Technology Center, Treasurer Jerry A. Payne, at 27 Ryan Road, Shelby, Ohio 44875.

*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 11.(D.) 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

*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. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

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

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

*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:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

*Internal Service Fund* - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

*FIDUCIARY FUNDS*

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

*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 except those accounted for in the proprietary funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants, and accounts (student fees and rent). Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2002 operations, have been recorded as deferred revenues (except for that portion which is available from the County Auditor as an advance as of June 30).

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds do not receive revenue from property taxes.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
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 2002.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation 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. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statement presents comparisons at the fund and function level of expenditures as elected by the District Treasurer.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. 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 funds completed the year within the amount of their legally authorized cash basis appropriation.
8. 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 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements may not legally exceed budgeted appropriations at the fund level.



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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

**E. Cash and Investments**

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

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

Investments are reported at cost, except for investments in STAR Ohio, which are reported at fair value. Fair value is based on quoted market prices.

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, 2002.

Under existing Ohio statute, all investment earnings are assigned to the general fund except for those specifically related to the food service and employee benefits self-insurance fund. Interest revenue credited to the general fund during fiscal 2002 amounted to \$142,950 which includes \$19,681 assigned from other District funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**F. Materials and Supplies Inventory**

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

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

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	10 - 20

**H. Interfund Transactions**

Transactions between funds during the course of normal operations may occur. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue and the fund, which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2002 is presented in Note 5.

**I. Compensated Absences**

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

**J. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. 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, materials and supplies inventory, tax revenue unavailable for appropriation, and BWC refunds. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Estimates**

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside for BWC refunds. Reservations of fund balance have also been recorded. See statutory reserves in Note 17.

**N. Memorandum Only - Total Columns**

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustment**

At July 1, 2001, the District has presented a restatement of fund balance in the general and debt service funds due to tax revenue improperly recorded in the debt service fund in a prior year. The effect of this adjustment is as follows:

	<u>Amounts Previously Reported</u> <u>June 30, 2001</u>	<u>Adjustment</u>	<u>Restated Amounts</u> <u>July 1, 2001</u>
General Fund	\$289,962	\$ 10,883	\$300,845
Debt Service Fund	10,883	(10,883)	0

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 2002, included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Title VI-R	\$ 43
Drug-Free School Grant	3
 <u>Capital Projects Fund</u>	
Permanent Improvement	119,828
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	185,633

These funds complied with Ohio state law which does not allow for a cash deficit at year-end. These GAAP-basis 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. These deficits are a result of accruing liabilities in accordance with GAAP.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

State statutes classify 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.

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.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);



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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash with Fiscal Agent:* At year-end, \$44,745 was on deposit with the District's fiscal agent for debt service and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in pooled cash and cash equivalents".

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$(72,692) and the bank balance was \$159,199. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Of the bank balance:

1. \$144,745 was covered by federal depository insurance; and

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

2. \$14,454 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category 2	Carrying Amount	Fair Value
Federal agency securities	\$295,419	\$ 295,419	\$ 295,419
Investment in STAR Ohio	-	3,178,540	3,178,540
Total investments	<u>\$295,419</u>	<u>\$3,473,959</u>	<u>\$3,473,959</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 entitled, "Reporting Cash Flows of Proprietary 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:

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,356,522	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(3,178,540)	3,178,540
Federal agency securities	(295,419)	295,419
Cash with fiscal agent	<u>44,745</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (72,692)</u>	<u>\$3,473,959</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's interfund loans receivable and payable at June 30, 2002:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$90,000	\$ -
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>-</u>	<u>90,000</u>
Total	<u>\$90,000</u>	<u>\$90,000</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 April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

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

**LEXINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was \$283,370,060. Agricultural/residential and public utility/minerals real estate represented 79.47% or \$225,194,240 of this total; Commercial & industrial real estate represented 11.80% or \$33,431,100 of this total, public utility tangible represented 2.85% or \$8,079,260 of this total and general tangible property represented 5.88% or \$16,665,460 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$41.10 per \$1,000.00 of assessed valuation for operations and \$2.70 per \$1,000 of assessed valuation for permanent improvement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 30.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002.

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 6 - PROPERTY TAXES - (Continued)**

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2002, 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, 2002 totaled \$528,625 in the general fund and \$36,217 in the permanent improvement fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$7,853,414
Accounts	894
Accrued interest	53
Interfund loan	90,000
<u>Special Revenue Funds</u>	
Due from other governments	2,224
<u>Capital Projects Fund</u>	
Taxes - current and delinquent	532,444
<u>Enterprise Fund</u>	
Accounts	32
<u>Internal Service Fund</u>	
Accounts	15,445

**LEXINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 8 - FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 184,026	\$ -	\$ -	\$ 184,026
Buildings/improvements	7,631,219	24,905	-	7,656,124
Furniture/equipment	3,713,232	307,570	(185,370)	3,835,432
Vehicles	<u>1,082,015</u>	<u>374,571</u>	<u>(173,728)</u>	<u>1,282,858</u>
Total	<u>\$12,610,492</u>	<u>\$707,046</u>	<u>\$(359,098)</u>	<u>\$12,958,440</u>

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 188,780
Less: accumulated depreciation	<u>(152,954)</u>
Net fixed assets	<u>\$ 35,826</u>

**NOTE 9 - LONG-TERM DEBT**

A. The following is a description of the District's notes outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Outstanding</u> <u>June 30, 2001</u>	<u>Retired</u> <u>in 2002</u>	<u>Outstanding</u> <u>June 30, 2002</u>
Energy conservation notes	5.4%	08/15/94	08/01/04	\$245,000	\$ (60,000)	\$185,000
Energy conservation notes	5.84%	07/15/96	09/15/06	<u>680,000</u>	<u>(95,000)</u>	<u>585,000</u>
Total				<u>\$925,000</u>	<u>\$(155,000)</u>	<u>\$770,000</u>

*Energy Conservation Notes* - On August 15, 1994, the District issued \$550,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a 10-year period with final maturity during fiscal year 2005. The notes will be retired from the general fund.

**LEXINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 9 - LONG-TERM DEBT - (Continued)**

*Energy Conservation Notes* - On July 15, 1996, the District issued \$995,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a 10-year period with final maturity during fiscal year 2007. The notes will be retired from the permanent improvement - capital projects fund.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$165,000	\$ 39,890	\$204,890
2004	170,000	30,358	200,358
2005	185,000	20,223	205,223
2006	120,000	11,370	131,370
2007	<u>130,000</u>	<u>3,900</u>	<u>133,900</u>
Total	<u>\$770,000</u>	<u>\$105,741</u>	<u>\$875,741</u>

- C.** During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account groups. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these value. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

	<u>Balance June 30, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$1,620,454	\$ 94,581	\$(242,912)	\$ 1,472,123
Pension obligation payable	103,567	102,047	(103,567)	102,047
School Building Energy conservation notes payable	<u>925,000</u>	<u>-</u>	<u>(155,000)</u>	<u>770,000</u>
Total	<u>\$2,649,021</u>	<u>\$196,628</u>	<u>\$(501,479)</u>	<u>\$2,344,170</u>

**D. Legal Debt Margin**

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

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM DEBT - (Continued)**

The effects of these debt limitations at June 30, 2002, are a voted debt margin of \$25,503,305 an unvoted debt margin of \$283,370, and an unvoted energy conservation debt margin of \$1,780,331.

**NOTE 10 - NOTES PAYABLE**

During the fiscal year, the District issued and subsequently repaid a tax anticipation note. Activity for this tax anticipation note has been reported in the general fund, which received the proceeds upon issuance. The District also issued general obligation notes during the fiscal year for the purchase of musical instruments. Activity for this note has been reported in the Permanent Improvement capital projects fund, which received the proceeds upon issuance.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance June 30, 2001</u>	<u>Issued in 2002</u>	<u>Retired in 2002</u>	<u>Balance June 30, 2002</u>
Tax anticipation note	5.13%	06/30/02	\$ 0	\$1,534,000	\$(1,534,000)	\$ 0
General obligation note	6.00%	09/01/05	<u>102,590</u>	-	<u>(20,420)</u>	<u>82,170</u>
Total			<u>\$102,590</u>	<u>\$1,534,000</u>	<u>\$(1,554,420)</u>	<u>\$82,170</u>

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

The District had the following coverages in effect for fiscal year 2002:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 1,000,000	\$ 0
Aggregate	5,000,000	0
Fleet:		
Comprehensive	1,000,000	100
Collision	1,000,000	250
Building and contents	35,835,389	500



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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance from the prior year.

**B. Health Benefits**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to a third party administrator who in turn pays the claims on the District's behalf. The claims liability of \$295,748 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be reported. Changes in claims activity for the current and past two fiscal years are as follows:

	Balance Beginning of <u>Year</u>	Current Year <u>Claims</u>	<u>Claims Payments</u>	Balance at End <u>of Year</u>
2002	\$218,488	\$1,948,213	\$(1,870,953)	\$295,748
2001	4,379	1,534,180	(1,320,071)	218,488
2000	255,041	991,941	(1,242,603)	4,379

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**C. Life Insurance**

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

**LEXINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**D. Workers' Compensation**

For fiscal year 2002, 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.

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of Food Service 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 fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 579,928	\$ 5	\$ 579,933
Operating expenses			
before depreciation	763,045	-	763,045
Depreciation expense	7,283	-	7,283
Operating income/(loss)	(190,400)	5	(190,395)
Nonoperating revenues:			
Operating grants	117,559	-	117,559
Federal donated commodities	76,418	-	76,418
Net income	5,883	5	5,888
Net working capital	46,906	1,839	48,745
Total assets	218,404	1,839	220,243
Long-term liabilities			
payable from fund revenues	81,932	-	81,932
Total fund equity	800	1,839	2,639
Encumbrances outstanding			
as of June 30, 2002	1,851	-	1,851

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer 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, 300 East Broad Street, Columbus, Ohio 43215, 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 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$337,680, \$280,889, and \$294,422, respectively; 55% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$152,988, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

**LEXINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 13 - 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 for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,163,191, \$1,092,012, and \$1,259,126, respectively; 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$194,848 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, three members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$373,883 during fiscal 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$237,169 during the 2002 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - 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:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance, for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the fiscal 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**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$ 775,904	\$16,434	\$ 16,921
Net adjustment for revenue accruals	209,653	2,122	14,224
Net adjustment for expenditure accruals	1,185,397	(2,291)	20,674
Net adjustment for other sources/(uses)	(1,584,205)	-	(90,000)
Adjustment for encumbrances	<u>187,608</u>	<u>21,905</u>	<u>4,338</u>
GAAP basis	<u>\$ 774,357</u>	<u>\$38,170</u>	<u>\$(33,843)</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. School Funding Decision**

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

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 16 - CONTINGENCIES - (Continued)**

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. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

**NOTE 17 - 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, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>BWC Refunds</u>
Set-aside cash balance/carry forward as of July 1, 2001	\$(465,832)	\$ (589,483)	\$81,351
Current year set-aside requirement	343,612	343,612	-
Current year offsets	-	(619,143)	-
Qualifying disbursements	<u>(556,558)</u>	<u>(1,137,628)</u>	<u>-</u>
Total	<u>\$(678,778)</u>	<u>\$(2,002,642)</u>	<u>\$81,351</u>
Cash balance/carry forward to FY 2003	<u>\$(678,778)</u>	<u>\$(1,208,626)</u>	<u>\$81,351</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbooks. The District had qualify disbursements and offsets during the year that reduced the set-aside amount below zero in capital acquisition reserve. The current year offset in the Capital Improvements set-aside, may be carried forward to offset future years requirement and the excess qualifying disbursements may not be carried forward to future years.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	<u>\$81,351</u>
Total restricted assets	<u>\$81,351</u>



## **SUPPLEMENTAL DATA**

**LEXINGTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 89,979	\$ -	\$ 76,417
(A), (C) National School Lunch	10.555	049437-LLP1-2001	7,447		7,447	
(A), (C) National School Lunch	10.555	049437-LLP4-2001	18,872		18,872	
(A), (C) National School Lunch	10.555	049437-LLP4-2002	103,637		103,637	
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>129,956</u>	<u>89,979</u>	<u>129,956</u>	<u>76,417</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I	84.010	049437-C1S1-2001	-		10,338	
Title I	84.010	049437-C1S1-2002	65,559		56,558	
<b>Total Title I</b>			<u>65,559</u>		<u>66,896</u>	
Title VI-B	84.027	049437-6B-SF-2001-P	-		542	
Title VI-B	84.027	049437-6B-SF-2002-P	147,305		147,305	
<b>Total Title VI-B</b>			<u>147,305</u>		<u>147,847</u>	
Safe and Drug-Free Schools	84.186	049437-DR-S1-2002	11,047		11,047	
Eisenhower Professional Development	84.281	049437-MS-S1-2001	759		6,239	
Eisenhower Professional Development	84.281	049437-MS-S1-2002	8,323		2,291	
<b>Total Eisenhower Professional Development</b>			<u>9,082</u>		<u>8,530</u>	
Innovative Education Program Strategies	84.298	049437-C2-S1-2001	-		5,360	
Innovative Education Program Strategies	84.298	049437-C2-S1-2002	14,814		10,318	
<b>Total Innovative Education Program Strategies</b>			<u>14,814</u>		<u>15,678</u>	
Title VI-R	84.340	049437-CR-S1-2001	-		9,116	
Title VI-R	84.340	049437-CR-S1-2002	29,374		29,443	
<b>Total Title VI-R</b>			<u>29,374</u>		<u>38,559</u>	
<b>Total U.S. Department of Education</b>			<u>277,181</u>		<u>288,557</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 407,137</u>	<u>\$ 89,979</u>	<u>\$ 418,513</u>	<u>\$ 76,417</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
 (C) 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.

# TRIMBLE, JULIAN & GRUBE, INC.

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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  
Lexington Local School District  
103 Clever Lane  
Lexington, Ohio 44904

We have audited the general purpose financial statements of Lexington Local School District as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Lexington Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of 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 a certain immaterial instance of noncompliance, which we have reported to management of Lexington Local School District in a separate letter dated November 1, 2002.

Board of Education  
Lexington Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lexington Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of Lexington Local School District in a separate letter dated November 1, 2002.

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

Trimble, Julian & Grube, Inc.  
November 1, 2002

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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  
Lexington Local School District  
103 Clever Lane  
Lexington, Ohio 44904

### Compliance

We have audited the compliance of Lexington Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2002. Lexington Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lexington Local School District's management. Our responsibility is to express an opinion on Lexington Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 Lexington Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lexington Local School District's compliance with those requirements.

Board of Education  
Lexington Local School District

In our opinion, Lexington Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2002.

#### Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.  
November 1, 2002

**LEXINGTON LOCAL SCHOOL DISTRICT  
 RICHLAND COUNTY  
 JUNE 30, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS
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<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

**LEXINGTON LOCAL SCHOOL DISTRICT  
 RICHLAND COUNTY  
 JUNE 30, 2002**

**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 VI-B, CFDA #84.027
<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 GENERAL PURPOSE FINANCIAL  
 STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**LEXINGTON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY  
JUNE 30, 2002**

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

<b><u>REPORTABLE CONDITION</u></b>	<b><u>STATUS</u></b>	<b><u>EXPLANATION IF NOT FULLY IMPLEMENTED</u></b>
2001-49437-001 - The District was not recalculating amounts stated on the free and reduced lunch applications	Fully Corrected	N/A





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LEXINGTON LOCAL SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**