



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

New Lexington City School District  
Perry County  
101 Third Avenue  
New Lexington, Ohio 43764

To Members of the Board:

We have audited the accompanying general-purpose financial statements of New Lexington City School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the New Lexington City School District, Perry County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year 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 December 19, 2002, on our consideration of the School 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.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**Jim Petro**  
Auditor of State

December 19, 2002

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**New Lexington City School District, Ohio**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,941,317	\$426,307	\$133,367	\$1,647,388
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	393,725
Receivables:				
Taxes	2,577,320	55,355	396,342	0
Accounts	155	317	0	0
Intergovernmental	24,423	342,172	0	0
Accrued Interest	2,731	13	0	97
Interfund	30,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	4,476	81	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	270,458	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
 <u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$4,850,880	 \$824,245	 \$529,709	 \$2,041,210

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$3,351	\$357,157	\$54,669	\$0	\$0	\$4,563,556
0	0	0	0	0	393,725
0	0	0	0	0	3,029,017
0	0	714	0	0	1,186
44,836	0	0	0	0	411,431
0	0	0	0	0	2,841
0	0	0	0	0	30,000
14,991	0	0	0	0	14,991
6,277	0	0	0	0	6,277
86	0	0	0	0	4,643
0	0	0	0	0	270,458
64,385	0	0	41,836,321	0	41,900,706
0	0	0	0	230,782	230,782
0	0	0	0	4,211,373	4,211,373
<u>\$133,926</u>	<u>\$357,157</u>	<u>\$55,383</u>	<u>\$41,836,321</u>	<u>\$4,442,155</u>	<u>\$55,070,986</u>

(continued)

**New Lexington City School District, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups (Continued)**  
**June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$89,464	\$3,238	\$0	\$1,231
Contracts Payable	2,201	30	0	629,064
Accrued Wages and Benefits Payable	997,824	100,638	0	0
Compensated Absences Payable	70,403	3,060	0	0
Interfund Payable	0	30,000	0	0
Intergovernmental Payable	198,043	4,232	0	2
Retainage Payable	0	0	0	570,614
Deferred Revenue	2,018,996	217,045	298,927	0
Claims Payable	0	0	0	0
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>3,376,931</b>	<b>358,243</b>	<b>298,927</b>	<b>1,200,911</b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	266,644	41,653	0	123,033
Reserved for Property Tax	571,479	13,647	97,415	0
Reserved for Budget Stabilization	93,000	0	0	0
Reserved for Textbooks	177,458	0	0	0
Unreserved:				
Undesignated	365,368	410,702	133,367	717,266
<b>Total Fund Equity and Other Credits</b>	<b>1,473,949</b>	<b>466,002</b>	<b>230,782</b>	<b>840,299</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$4,850,880</b>	<b>\$824,245</b>	<b>\$529,709</b>	<b>\$2,041,210</b>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$16,918	\$147	\$291	\$0	\$0	\$111,289
0	0	0	0	0	631,295
32,728	0	0	0	0	1,131,190
12,729	0	0	0	533,595	619,787
0	0	0	0	0	30,000
11,304	0	0	0	114,519	328,100
0	0	0	0	0	570,614
0	0	0	0	0	2,534,968
0	170,063	0	0	0	170,063
0	0	46,092	0	0	46,092
0	0	0	0	163,389	163,389
0	0	0	0	155,652	155,652
0	0	0	0	3,475,000	3,475,000
<u>73,679</u>	<u>170,210</u>	<u>46,383</u>	<u>0</u>	<u>4,442,155</u>	<u>9,967,439</u>
0	0	0	41,836,321	0	41,836,321
60,247	186,947	0	0	0	247,194
0	0	389	0	0	431,719
0	0	0	0	0	682,541
0	0	0	0	0	93,000
0	0	0	0	0	177,458
0	0	8,611	0	0	1,635,314
<u>60,247</u>	<u>186,947</u>	<u>9,000</u>	<u>41,836,321</u>	<u>0</u>	<u>45,103,547</u>
<u>\$133,926</u>	<u>\$357,157</u>	<u>\$55,383</u>	<u>\$41,836,321</u>	<u>\$4,442,155</u>	<u>\$55,070,986</u>

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances  
All Governmental Fund Types and Similar Trust Fund  
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Capital Projects
	General	Special Revenue	Debt Service	
<u>Revenues:</u>				
Property Taxes	\$2,076,797	\$99,351	\$322,516	\$0
Intergovernmental	9,324,019	1,232,661	38,705	1,426,197
Interest	73,559	301	0	155,091
Tuition and Fees	27,655	0	0	0
Rent	1,185	0	0	0
Extracurricular Activities	0	84,333	0	0
Rent	0	0	0	0
Miscellaneous	152,537	97,553	0	1,628
<b>Total Revenues</b>	<b>11,655,752</b>	<b>1,514,199</b>	<b>361,221</b>	<b>1,582,916</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,373,036	359,363	0	0
Special	965,146	433,384	0	0
Vocational	412,662	88,410	0	0
Adult/Continuing	16,646	0	0	0
Other	170,435	0	0	0
Support Services:				
Pupils	336,428	157,314	0	0
Instructional Staff	251,672	76,544	0	0
Board of Education	356,220	0	0	0
Administration	1,102,790	90,107	0	0
Fiscal	265,145	8,193	10,738	0
Business	11,860	24,753	0	0
Operation and Maintenance of Plant	1,097,511	0	0	0
Pupil Transportation	884,701	0	0	0
Central	67,647	0	0	0
Non-Instructional Services	0	66,383	0	0
Extracurricular Activities	198,999	97,922	0	0
Capital Outlay	169,815	0	0	12,310,667
Debt Service:				
Principal Retirement	148,593	0	172,882	0
Interest and Fiscal Charges	12,484	0	199,178	0
<b>Total Expenditures</b>	<b>10,841,790</b>	<b>1,402,373</b>	<b>382,798</b>	<b>12,310,667</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>813,962</b>	<b>111,826</b>	<b>(21,577)</b>	<b>(10,727,751)</b>
<u>Other Financing Sources (Uses):</u>				
Sale of Fixed Assets	0	0	0	0
Inception of Capital Lease	169,815	0	0	0
Operating Transfers - In	0	0	84,009	0
Operating Transfers - Out	(424,189)	0	0	0
Sale of Fixed Assets	0	0	0	0
Inception of Capital Lease	0	0	0	0
Proceeds of Bonds	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(254,374)</b>	<b>0</b>	<b>84,009</b>	<b>0</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>559,588</b>	<b>111,826</b>	<b>62,432</b>	<b>(10,727,751)</b>
<b>Fund Balances at Beginning of Year - Restated Note 3</b>	<b>914,361</b>	<b>354,176</b>	<b>168,350</b>	<b>11,568,050</b>
<b>Fund Balances at End of Year</b>	<b>\$1,473,949</b>	<b>\$466,002</b>	<b>\$230,782</b>	<b>\$840,299</b>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$0	\$2,498,664
0	12,021,582
0	228,951
0	27,655
0	1,185
0	84,333
0	0
19,450	271,168
<hr/>	<hr/>
19,450	15,133,538
<hr/>	<hr/>
0	4,732,399
0	1,398,530
0	501,072
0	16,646
0	170,435
0	493,742
0	328,216
0	356,220
0	1,192,897
0	284,076
16,333	52,946
0	1,097,511
0	884,701
85	67,732
0	66,383
0	296,921
0	12,480,482
0	321,475
0	211,662
<hr/>	<hr/>
16,418	24,954,046
<hr/>	<hr/>
3,032	(9,820,508)
<hr/>	<hr/>
0	0
0	169,815
0	84,009
0	(424,189)
0	0
0	0
0	0
<hr/>	<hr/>
0	(170,365)
<hr/>	<hr/>
3,032	(9,990,873)
<hr/>	<hr/>
5,968	13,010,905
<hr/>	<hr/>
<u>\$9,000</u>	<u>\$3,020,032</u>

**New Lexington City School District, Ohio**  
 Combined Statement of Revenues, Expenditures and Changes  
 in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Similar Trust Fund  
 For the Fiscal Year Ended June 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$2,069,425	\$2,058,837	(\$10,588)
Intergovernmental	9,440,468	9,317,453	(123,015)
Interest	71,300	73,941	2,641
Tuition and Fees	28,300	27,561	(739)
Rent	2,100	1,185	(915)
Extracurricular	0	0	0
Miscellaneous	134,000	147,605	13,605
<b>Total Revenues</b>	<b>11,745,593</b>	<b>11,626,582</b>	<b>(119,011)</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,645,200	4,571,862	73,338
Special	969,496	949,810	19,686
Vocational	455,293	448,068	7,225
Adult/Continuing	17,889	16,525	1,364
Other	177,319	174,572	2,747
Support Services:			
Pupils	419,700	330,118	89,582
Instructional Staff	256,248	231,638	24,610
Board of Education	359,848	356,203	3,645
Administration	1,092,174	1,059,335	32,839
Fiscal	282,582	278,214	4,368
Business	21,803	14,604	7,199
Operation and Maintenance of Plant	1,302,735	1,255,493	47,242
Pupil Transportation	921,454	899,066	22,388
Central	207,752	91,885	115,867
Non-Instructional Services	0	0	0
Extracurricular Activities	207,217	204,609	2,608
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>11,336,710</b>	<b>10,882,002</b>	<b>454,708</b>
Excess of Revenues Over (Under) Expenditures	408,883	744,580	335,697
<u>Other Financing Sources (Uses):</u>			
Advances - In	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	(269,848)	(187,790)	82,058
Advances - Out	(30,009)	(30,000)	9
<b>Total Other Financing Sources (Uses)</b>	<b>(299,857)</b>	<b>(217,790)</b>	<b>82,067</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	109,026	526,790	417,764
Fund Balances at Beginning of Year	910,125	910,125	0
Prior Year Encumbrances Appropriated	417,670	417,670	0
<b>Fund Balances at End of Year</b>	<b>\$1,436,821</b>	<b>\$1,854,585</b>	<b>\$417,764</b>



Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$45,122	\$45,122	\$321,000	\$321,659	\$659
1,483,217	1,134,641	(348,576)	40,000	38,704	(1,296)
0	288	288	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
78,020	84,333	6,313	0	0	0
3,285	101,640	98,355	0	0	0
<u>1,564,522</u>	<u>1,366,024</u>	<u>(198,498)</u>	<u>361,000</u>	<u>360,363</u>	<u>(637)</u>
444,102	364,376	79,726	0	0	0
461,719	442,250	19,469	0	0	0
81,187	81,187	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
176,567	176,567	0	0	0	0
88,963	73,920	15,043	0	0	0
0	0	0	0	0	0
107,461	99,777	7,684	0	0	0
9,050	8,557	493	11,201	10,738	463
38,355	28,668	9,687	0	0	0
0	0	0	0	0	0
10,416	0	10,416	0	0	0
0	0	0	0	0	0
116,850	87,596	29,254	0	0	0
137,901	134,285	3,616	0	0	0
0	0	0	0	0	0
0	0	0	172,882	172,882	0
0	0	0	199,178	199,178	0
<u>1,672,571</u>	<u>1,497,183</u>	<u>175,388</u>	<u>383,261</u>	<u>382,798</u>	<u>463</u>
<u>(108,049)</u>	<u>(131,159)</u>	<u>(23,110)</u>	<u>(22,261)</u>	<u>(22,435)</u>	<u>(174)</u>
0	30,000	30,000	0	0	0
0	0	0	84,009	84,009	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>30,000</u>	<u>30,000</u>	<u>84,009</u>	<u>84,009</u>	<u>0</u>
(108,049)	(101,159)	6,890	61,748	61,574	(174)
399,065	399,065	0	71,793	71,793	0
83,643	83,643	0	0	0	0
<u>\$374,659</u>	<u>\$381,549</u>	<u>\$6,890</u>	<u>\$133,541</u>	<u>\$133,367</u>	<u>(\$174)</u>

(Continued)

**New Lexington City School District, Ohio**  
 Combined Statement of Revenues, Expenditures and Changes  
 in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Similar Trust Fund (Continued)  
 For the Fiscal Year Ended June 30, 2002

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Intergovernmental	2,348,405	1,427,565	(920,840)
Interest	160,000	178,075	18,075
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular	0	0	0
Miscellaneous	1,368	1,628	260
<b>Total Revenues</b>	<b>2,509,773</b>	<b>1,607,268</b>	<b>(902,505)</b>
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	0	0	0
Vocational	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Adult/Continuing	0	0	0
<u>Support Services:</u>			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Operation and Maintenance of Plant	0	0	0
Central	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	14,869,774	14,010,408	859,366
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>14,869,774</b>	<b>14,010,408</b>	<b>859,366</b>
Excess of Revenues Over (Under) Expenditures	<u>(12,360,001)</u>	<u>(12,403,140)</u>	<u>(43,139)</u>
<u>Other Financing Sources (Uses):</u>			
Advances - In	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Advances - Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(12,360,001)</u>	<u>(12,403,140)</u>	<u>(43,139)</u>
Fund Balances at Beginning of Year	3,538,680	3,538,680	0
Prior Year Encumbrances Appropriated	<u>9,760,953</u>	<u>9,760,953</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<b><u>\$939,632</u></b>	<b><u>\$896,493</u></b>	<b><u>(\$43,139)</u></b>

See accompanying notes to the general purpose financial statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,390,425	\$2,425,618	\$35,193
0	0	0	13,312,090	11,918,363	(1,393,727)
0	0	0	231,300	252,304	21,004
0	0	0	28,300	27,561	(739)
0	0	0	2,100	1,185	(915)
0	0	0	78,020	84,333	6,313
23,200	18,736	(4,464)	161,853	269,609	107,756
23,200	18,736	(4,464)	16,204,088	14,978,973	(1,225,115)
0	0	0	5,089,302	4,936,238	153,064
0	0	0	1,431,215	1,392,060	39,155
0	0	0	536,480	529,255	7,225
0	0	0	17,889	16,525	1,364
0	0	0	177,319	174,572	2,747
0	0	0	596,267	506,685	89,582
0	0	0	345,211	305,558	39,653
0	0	0	359,848	356,203	3,645
0	0	0	1,199,635	1,159,112	40,523
0	0	0	302,833	297,509	5,324
26,268	17,322	8,946	86,426	60,594	25,832
0	0	0	1,302,735	1,255,493	47,242
0	0	0	931,870	899,066	32,804
95	86	9	207,847	91,971	115,876
0	0	0	116,850	87,596	29,254
0	0	0	345,118	338,894	6,224
0	0	0	14,869,774	14,010,408	859,366
0	0	0	172,882	172,882	0
0	0	0	199,178	199,178	0
26,363	17,408	8,955	28,288,679	26,789,799	1,498,880
(3,163)	1,328	4,491	(12,084,591)	(11,810,826)	273,765
0	0	0	0	30,000	30,000
0	0	0	84,009	84,009	0
0	0	0	(269,848)	(187,790)	82,058
0	0	0	(30,009)	(30,000)	9
0	0	0	(215,848)	(103,781)	112,067
(3,163)	1,328	4,491	(12,300,439)	(11,914,607)	385,832
5,705	5,705	0	4,925,368	4,925,368	0
863	863	0	10,263,129	10,263,129	0
\$3,405	\$7,896	\$4,491	\$2,888,058	\$3,273,890	\$385,832

**New Lexington City School District, Ohio**

Combined Statement of Revenues,  
Expenses and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues:</u>			
Sales	\$280,330	\$0	\$280,330
Charges for Services	0	1,281,912	1,281,912
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	280,330	1,281,912	1,562,242
	<hr/>	<hr/>	<hr/>
<u>Operating Expenses:</u>			
Salaries and Wages	234,465	0	234,465
Fringe Benefits	73,304	0	73,304
Purchased Services	6,462	84,051	90,513
Materials and Supplies	98,939	0	98,939
Cost of Sales	331,478	0	331,478
Depreciation	9,534	0	9,534
Claims	0	906,446	906,446
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	754,182	990,497	1,744,679
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	(473,852)	291,415	(182,437)
	<hr/>	<hr/>	<hr/>
<u>Non-Operating Revenues and Expenses:</u>			
Federal Donated Commodities	55,678	0	55,678
Federal and State Subsidies	373,615	0	373,615
Interest and Fiscal Charges	(707)	0	(707)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues and Expenses	428,586	0	428,586
	<hr/>	<hr/>	<hr/>
Net Income (Loss) Before Operating Transfers	(45,266)	291,415	246,149
	<hr/>	<hr/>	<hr/>
Operating Transfers In	340,180	0	340,180
	<hr/>	<hr/>	<hr/>
Net Income	294,914	291,415	586,329
	<hr/>	<hr/>	<hr/>
Retained Earnings (Deficit) at Beginning of Year	(234,667)	(104,468)	(339,135)
	<hr/>	<hr/>	<hr/>
Retained Earnings at End of Year	\$60,247	\$186,947	\$247,194
	<hr/>	<hr/>	<hr/>

See accompanying notes to the general purpose financial statements.

**New Lexington City School District, Ohio**  
 Combined Statement of Revenues, Expenses and Changes in  
 Retained Earnings - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$280,700	\$280,326	(\$374)
Charges for Services	0	0	0
Federal and State Subsidies	345,300	328,779	(16,521)
Total Revenues	626,000	609,105	(16,895)
<u>Expenses:</u>			
Salaries	277,469	277,469	0
Fringe Benefits	55,934	55,934	0
Purchased Services	11,162	11,162	0
Materials and Supplies	370,459	368,037	2,422
Capital Outlay	1,402	1,402	0
Other	0	0	0
Total Operating Expenses	716,426	714,004	2,422
Excess of Revenues Over (Under) Expenses	(90,426)	(104,899)	(14,473)
Transfers In	0	103,781	103,781
Excess of Revenues Over (Under) Expenses and Transfers	(90,426)	(1,118)	89,308
Fund Equity at Beginning of Year	4,466	4,466	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity (Deficit) at End of Year	(\$85,960)	\$3,348	\$89,308

(Continued)

**New Lexington City School District, Ohio**  
 Combined Statement of Revenues, Expenses and Changes in  
 Retained Earnings - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types (Continued)  
 For the Fiscal Year Ended June 30, 2002

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$0	\$0	\$0
Charges for Services	1,290,000	1,281,912	(8,088)
Federal and State Subsidies	0	0	0
<b>Total Revenues</b>	<b>1,290,000</b>	<b>1,281,912</b>	<b>(8,088)</b>
<u>Expenses:</u>			
Salaries	0	0	0
Fringe Benefits	1,138,758	1,073,511	65,247
Purchased Services	135,788	128,008	7,780
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Other	0	0	0
<b>Total Operating Expenses</b>	<b>1,274,546</b>	<b>1,201,519</b>	<b>73,027</b>
Excess of Revenues Over (Under) Expenses	15,454	80,393	64,939
Transfers In	0	0	0
Excess of Revenues Over (Under) Expenses and Transfers	15,454	80,393	64,939
Fund Equity at Beginning of Year	158,288	158,288	0
Prior Year Encumbrances Appropriated	74,546	74,546	0
<b>Fund Equity (Deficit) at End of Year</b>	<b>\$248,288</b>	<b>\$313,227</b>	<b>\$64,939</b>

See accompanying notes to the general purpose financial statements

Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$280,700	\$280,326	(\$374)
1,290,000	1,281,912	(8,088)
<u>345,300</u>	<u>328,779</u>	<u>(16,521)</u>
<u>1,916,000</u>	<u>1,891,017</u>	<u>(24,983)</u>
277,469	277,469	0
1,194,692	1,129,445	65,247
146,950	139,170	7,780
370,459	368,037	2,422
1,402	1,402	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>1,990,972</u>	<u>1,915,523</u>	<u>75,449</u>
(74,972)	(24,506)	50,466
<u>0</u>	<u>103,781</u>	<u>103,781</u>
(74,972)	79,275	154,247
162,754	162,754	0
<u>74,546</u>	<u>74,546</u>	<u>0</u>
<u>\$162,328</u>	<u>\$316,575</u>	<u>\$154,247</u>

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**New Lexington City School District, Ohio**

Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$280,330	\$0	\$280,330
Cash Received from Quasi-External Transactions with Other Funds	0	1,281,912	1,281,912
Cash Payments for Employee Services and Benefits	(333,403)	0	(333,403)
Cash Payments for Goods and Services	(375,987)	(83,904)	(459,891)
Cash Payments for Claims	0	(1,073,685)	(1,073,685)
Net Cash Provided by (Used for) Operating Activities	<u>(429,060)</u>	<u>124,323</u>	<u>(304,737)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal Paid on Capital Leases	(2,505)	0	(2,505)
Interest Paid on Capital Leases	(707)	0	(707)
Acquisition of Capital Assets	(1,402)	0	(1,402)
Net Cash Used for Capital and Related Financing Activities	<u>(4,614)</u>	<u>0</u>	<u>(4,614)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	328,779	0	328,779
Transfers In	103,781	0	103,781
Net Cash Provided by Noncapital Financing Activities	<u>432,560</u>	<u>0</u>	<u>432,560</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,114)	124,323	123,209
Cash and Cash Equivalents at Beginning of Year	4,465	232,834	237,299
Cash and Cash Equivalents at End of Year	<u>\$3,351</u>	<u>\$357,157</u>	<u>\$360,508</u>
Reconciliation of Operating Income to <u>Net Cash Used by Operating Activities:</u>			
Operating Income (Loss)	(\$473,852)	\$291,415	(\$182,437)
Depreciation Expense	9,534	0	9,534
Donated Commodities Used During Year	51,949	0	51,949
Changes in Assets and Liabilities:			
Increase in Inventory Held for Resale	(3,795)	0	(3,795)
Increase in Materials and Supplies	(747)	0	(747)
Increase in Prepaid Assets	(86)	0	(86)
Increase (Decrease) in Accounts Payable	13,570	(27)	13,543
Decrease in Accrued Salaries	(8,085)	0	(8,085)
Decrease in Compensated Absences Payable	(2,401)	0	(2,401)
Decrease in Intergovernmental Payable	(15,147)	0	(15,147)
Decrease in Claims Payable	0	(167,065)	(167,065)
Net Cash Used for Operating Activities	<u>(\$429,060)</u>	<u>\$124,323</u>	<u>(\$304,737)</u>

Non-Cash, Non-Capital Financing Activities:

The Food Service Enterprise Fund received \$55,678 in Federally Donated Commodities

See accompanying notes to the general purpose financial statements.

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**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

New Lexington City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 71 classified employees and 142 certified teaching personnel, who provide services to 1,910 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the New Lexington City School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in the Southeast Ohio Voluntary Educational Consortium, the Tri-County Joint Vocational School, Southeastern Ohio Special Education Regional Resource Center, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 20 and 21.

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

The financial statements of the New Lexington City District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

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

*General Fund* - The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation 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).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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 fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Types:*

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

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

*Account Groups:*

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

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., 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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**B. Measurement Focus and Basis of Accounting (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**C. Budgetary Process**

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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has the authority to allocate appropriations at the function and object level without resolution by the Board.

*Tax Budget:*

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Perry County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**C. Budgetary Process (Continued)**

*Estimated Resources: (Continued)*

The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the year were passed.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

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

The School District has a segregated bank account for the retainage escrow account monies held separate from the School District's central bank account. This checking account is presented on the combined balance sheet as "cash and cash equivalents with fiscal and escrow agents" since they are kept separate from the School District treasury.

Investments are reported at fair value which is based on quoted market prices.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**D. Cash and Cash Equivalents (Continued)**

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$73,559, which includes \$55,710 assigned from other School District funds.

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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not have any infrastructure. 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. Improvements are capitalized. Interest incurred during the construction of general fixed assets is not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.



**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for certified employees, administrators, and classified employees after fifteen years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and 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. In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. Bonds 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. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the acquisition of textbooks and for budget stabilization. See Note 18 for additional information regarding set-asides.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (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 – RESTATEMENT OF FUND EQUITY**

At June 30, 2001, fund balances were restated as in the General Fund, the Special Revenue Funds, and the Debt Service Fund as a result of more accurate information becoming available concerning property tax revenue. This adjustment decreased fund balance from \$1,279,103 to \$914,361 in the General Fund, from \$376,055 to \$354,176 in the Special Revenue Funds, and from \$183,699 to \$168,350 in the Debt Service Fund.

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

The following funds had a deficit fund balance as of June 30, 2002:

	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Disadvantaged Pupil Impact Aid	\$12,695
Title VI-B	24,621

The deficits in the Special Revenue Funds were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

**B. Compliance**

Contrary to Ohio law, the following funds had appropriations in excess of estimated resources plus unencumbered balances for the year ended June 30, 2002:

	Estimated Resources	Appropriations	Excess
<b>Special Revenue Funds:</b>			
Public School Support	\$73,058	\$95,800	(\$22,742)
Athletics	91,852	129,000	(37,148)
Disadvantaged Pupil Impact Aid	369,372	415,157	(45,785)
Schoolnet Professional Development	4,185	7,635	(3,450)
Ohio Reads	17,535	21,535	(4,000)
<b>Enterprise Funds:</b>			
Food Service	621,000	707,426	(86,426)

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on loan proceeds are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$559,587	\$111,826	\$62,432	(\$10,727,751)	\$3,032
Revenue Accruals	(28,495)	(148,175)	(858)	24,352	(714)
Expenditure Accruals	313,037	(50,133)	0	(555,121)	(309)
Unreported Cash	(675)	0	0	0	0
Cash with Fiscal and Escrow Agents	0	0	0	(393,725)	0
Prepaid Items	3,267	81	0	0	0
Inception of Capital Lease	(169,815)	0	0	0	0
Transfers	236,399	0	0	0	0
Advances	(30,000)	30,000	0	0	0
Encumbrances	(356,515)	(44,758)	0	(750,895)	(681)
Budget Basis	<u>\$526,790</u>	<u>(\$101,159)</u>	<u>\$61,574</u>	<u>(\$12,403,140)</u>	<u>\$1,328</u>

Net Income (Loss)/Excess of  
Revenues Over/(Under) Expenses and Advances  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$294,914	\$291,415
Revenue Accruals	(44,836)	0
Expense Accruals	(24,413)	(167,092)
Unreported Cash	(4)	0
Prepays	86	0
Transfers	(236,399)	0
Depreciation Expense	9,534	0
Encumbrances	0	(43,930)
Budget Basis	<u>(\$1,118)</u>	<u>\$80,393</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five 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.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 6 - DEPOSITS AND INVESTMENTS (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 or deposit accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interest 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. 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".

**New Lexington City School District, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

*Cash on Hand:* At fiscal year end, the School District had \$679 in unreported cash on hand which is included on the balance sheet of the School District as part of "Cash and Cash Equivalents".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$3,803,697 and the bank balance was \$3,922,614. Of the bank balance, \$522,613 was covered by federal depository insurance and \$3,400,001 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is not classified since it is not evidenced by securities that exist in physical or book entry form. The fair value of the investment in STAR Ohio at June 30, 2002, was \$1,423,363.

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$5,227,739	\$0
Investments:		
Unreported Cash	(679)	0
STAR Ohio	(1,423,363)	1,423,363
GASB Statement 3	\$3,803,697	\$1,423,363

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**New Lexington City School District, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 7 - PROPERTY TAXES (Continued)**

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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 assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
Real Property	\$75,948,330	76.50%	\$78,464,630	78.37%
Public Utility Tangible Personal Property	183,190	0.19%	7,300,820	7.29%
Tangible Personal Property	23,143,651	23.31%	14,360,758	14.34%
Total	\$99,275,171	100.00%	\$100,126,208	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$36.56		 \$36.56	

The School District receives property taxes from Perry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$531,487 in the General Fund, \$12,962 in the Classroom Facilities Special Revenue Fund, and \$92,538 in the Bond Retirement Fund. These amounts are recognized as revenue.

Also intended to finance current fiscal year operations is the June personal property tax settlement that was not received until July, 2002, in the amount of \$39,992 in the General Fund, \$685 in the Classroom Facilities Special Revenue Fund, and \$4,877 in the Bond Retirement Fund.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<b>General Fund:</b>	
Community Alternative Funding System	\$19,721
Miscellaneous Reimbursements	4,702
<b>Total General Fund</b>	<b>\$24,423</b>
<b>Special Revenue Funds:</b>	
Title VI-B	74,390
Title I	263,965
Title VI	3,817
<b>Total Special Revenue Funds</b>	<b>342,172</b>
<b>Enterprise Fund:</b>	
Food Service	44,836
<b>Total Enterprise Fund</b>	<b>44,836</b>
<b>Total Intergovernmental Receivables</b>	<b>\$411,431</b>

**NOTE 9 - FIXED ASSETS**

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

	Enterprise
Furniture, Fixtures, and Equipment	\$257,734
Less: Accumulated Depreciation	(193,349)
Net Fixed Assets	<b>\$64,385</b>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 06/30/01	Additions	Deletions	Balance at 06/30/02
Land and Improvements	\$218,360	\$0	\$0	\$218,360
Buildings and Improvements	7,250,434	0	0	7,250,434
Furniture, Fixtures, and Equipment	2,940,397	411,270	194,663	3,157,004
Vehicles	1,118,144	162,998	0	1,281,142
Construction in Progress	18,533,904	11,395,477	0	29,929,381
<b>Totals</b>	<b>\$30,061,239</b>	<b>\$11,969,745</b>	<b>\$194,663</b>	<b>\$41,836,321</b>

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.



**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 10 - RISK MANAGEMENT (Continued)**

**A. Property and Liability (Continued)**

During fiscal year 2002, the School District had coverage as follows:

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Real Property	\$500	\$39,281,456
General Liability:		
Per Occurrence	0	1,000,000
Annual Aggregate	0	5,000,000
Boiler and Machinery	500	10,000,000
Electronic Equipment	500	1,045,400
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	0	100,000
Per Accident	0	300,000
Builder's Risk	1,000	8,652,988

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical Benefits**

Medical/surgical, prescription drug, vision, and dental insurance are offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual per year. After that, stop-loss covers up to a lifetime maximum of \$1,000,000 per covered classified person and \$2,500,000 per covered certified and exempt person. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The claims liability of \$170,063 reported in the internal service fund at June 30, 2002, is based upon an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has

**New Lexington City School District, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

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**NOTE 10 - RISK MANAGEMENT (Continued)**

**C. Employee Medical Benefits (Continued)**

been incurred at the date of the financial statements and the amount can be reasonably estimated.

The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Beginning of Year	Current Year Claims	Claims Payments	End of Year
2001	\$385,921	\$1,244,118	\$1,292,911	\$337,128
2002	337,128	906,446	1,073,511	170,063

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$565,750, \$802,404, and \$1,007,734, respectively; 83.16 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$95,255, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

New Lexington City School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System (Continued)**

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$112,381, \$227,052, and \$222,715 respectively; 57.27 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$48,017, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

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

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$267,987 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,722,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$198,393.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

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 \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**NOTE 13- EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 215 days for classified employees and 320 days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for certified employees and 60 days for classified employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Kanawha Insurance Company in the amount of \$35,000.

**NOTE 14- CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual commitments for school building renovations and construction with various vendors in the amount of \$30,930,537. As of June 30, 2002, the School District paid \$29,929,381 on the project and the remaining balance on the contracts is \$1,001,156.

**NOTE 15 CAPITAL LEASES - LESSEE DISCLOSURE**

During 2002, the School District entered into eight new capital leases for the purchase of copiers. In prior years, the School District had entered into numerous capital leases for the purchase of equipment.

Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments made from governmental funds have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

The items acquired by lease have been capitalized in the General Fixed Asset Account Group and in the Food Service Enterprise Fund in the amounts of \$169,815 and \$15,570, respectively, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group and the Food Service Enterprise Fund. Principal payments in the General Long-Term Obligations Account Group in 2002 totaled \$148,593 and in the Food Service Enterprise Fund totaled \$2,505.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 15 CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

Future minimum lease payments through 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2003	\$41,143
2004	41,144
2005	41,144
2006	41,145
2007	32,629
Total	197,205
Less: Amount Representing Interest	(33,816)
Present Value of Net Minimum Lease Payments	<u>\$163,389</u>

**NOTE 16- LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Outstanding</u> <u>06/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>6/30/02</u>
Enterprise Fund Obligations:				
Capital Leases	\$2,505	\$0	\$2,505	\$0
General Long-Term Obligations:				
Classroom Facilities Bonds - 3.45% - 5.375%	3,575,000	0	100,000	3,475,000
Energy Conservation Notes - 4.90%	228,534	0	72,882	155,652
Capital Leases	142,797	169,185	148,593	163,389
Compensated Absences	610,231	91,296	167,932	533,595
Pension Obligation	87,551	114,519	87,551	114,519
Total General Long-Term Obligations	<u>4,644,113</u>	<u>375,000</u>	<u>576,958</u>	<u>4,442,155</u>
Total Long-Term Obligations	<u>\$4,646,618</u>	<u>\$375,000</u>	<u>\$579,463</u>	<u>\$4,442,155</u>

*Classroom Facilities General Obligation Bonds* - On July 1, 1999, New Lexington City School District issued \$3,873,000 in voted general obligation bonds for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities. The bonds were issued for a 23 year period with final maturity at December 1, 2021. The bonds will be retired from the Debt Service Fund.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 16- LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire the bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$105,000	\$183,821	\$288,821
2004	105,000	179,359	284,359
2005	110,000	174,681	284,681
2006	115,000	169,674	284,674
2007	120,000	164,326	284,326
2008 - 2012	725,000	704,651	1,429,651
2013 - 2017	950,000	467,625	1,417,625
2018 - 2022	1,245,000	174,016	1,419,016
	<u>\$3,475,000</u>	<u>\$2,218,153</u>	<u>\$5,693,153</u>

The energy conservation notes were originally issued on March 1, 1994, in the amount of \$642,156. Energy conservation notes reported in the General Long-Term Obligations Account Group will be paid from the Debt Service Fund and are backed by the full faith and credit of the New Lexington City School District. Principal and interest requirements to retire the notes outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$76,173	\$7,552	\$83,725
2004	79,479	3,817	83,296
	<u>\$155,652</u>	<u>\$11,369</u>	<u>\$167,021</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. Capital leases reported in the General Long-Term Obligations Account Group will be paid from the General Fund. The School District's overall legal debt margin was \$5,767,141 with an unvoted debt margin of \$100,126 at June 30, 2002.

**NOTE 17- INTERFUND ACTIVITY**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable	Payable
<b>General Fund</b>	\$30,000	\$0
<b>Special Revenue Funds:</b>		
Title VI-B	0	23,000
Title I	0	7,000
<b>Total Special Revenue Funds</b>	0	30,000
<b>Total All Funds</b>	\$30,000	\$30,000

**NOTE 18- SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

**New Lexington City School District, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2002**

**NOTE 18- SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for a school district to establish and appropriate money for budget stabilization was deleted from the law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, money on hand in a school district's budget reserve set-aside as of April 10, 2001 that does not represent workers' compensation refunds, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers Compensation monies remaining in the budget reserve set-aside.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2001	\$93,000	\$0	\$98,000
Current Year Set-aside Requirement	0	229,374	229,374
Qualifying Disbursements	0	103,803	149,916
Current Year Requirement less Qualifying Disbursements	0	125,571	79,458
Beginning Carryover Offsets/Excess Disbursements	0	899,187	0
Current Year Offsets/Excess Disbursements	0	486,426	0
Total Available as Offsets/Excess Disbursements	0	1,385,613	0
Current Year Application of Offsets/Excess Disbursements	0	125,571	0
Offsets/Excess Disbursements to be Carried Forward to Future Years	0	1,260,042	0
Set-aside Reserve Balance as of June 30, 2002	\$93,000	\$0	\$177,458

The School District had qualifying disbursements during the previous and current fiscal years that reduced the capital improvements set-aside amount below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for textbooks and budget stabilization set-asides is \$270,458.

**NOTE 19- SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District reports two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the New Lexington City School District as of and for the fiscal year ended June 30, 2002.

**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 19- SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$274,869	\$5,461	\$280,330
Depreciation	9,534	0	9,534
Operating Loss	(472,734)	(1,118)	(473,852)
Donated Commodities	55,678	0	55,678
Operating Grants	373,615	0	373,615
Operating Transfers	340,180	0	340,180
Net Income (Loss)	296,032	(1,118)	294,914
Additions to Fixed Assets	1,402	0	1,402
Net Working Capital	(334,935)	3,348	(331,587)
Total Assets	130,579	3,348	133,927
Long-Term Compensated Absences Payable	12,729	0	12,729
Total Equity	56,900	3,347	60,247

**NOTE 20- JOINTLY GOVERNED ORGANIZATIONS**

*Southeast Ohio Voluntary Educational Consortium (SEOVEC)* - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$17,836 for services provided during the year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

*Tri-County Joint Vocational School District* - The Tri-County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven appointed representatives from the eight participating school districts. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Tri-County Joint Vocational School, Laura F. Carney, CPA, Treasurer, at 15676 State Route 691, Nelsonville, Ohio 45764.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid the Coalition of Rural and Appalachian Schools \$300 for services provided during the year.



**New Lexington City School District, Ohio**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 20- JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Southeastern Ohio Special Education Regional Resource Council* – The Southeastern Ohio Special Education Regional Resource Center provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The New Lexington City School District has a cooperative agency agreement with the Council. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council.

**NOTE 21 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

As of June 30, 2002, the School District was not a party to legal proceedings.

**NOTE 23 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$	\$ 51,949	\$	\$ 51,849
National School Breakfast Program	10.553	44479-05PU-01	51,239		51,239	
National School Lunch Program	10.555	44479-LLP4-01	226,763		226,763	
National Summer Food Program	10.559	44479-23PU-01	27,380		27,380	
State Administrative Expenses for Child Nutrition	10.560	44479-24PU-01	1,535		1,535	
Total U.S. Department of Agriculture - Nutrition Cluster			306,917	51,949	306,917	51,849
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Educationally Deprived Children - Local Educational Agencies Title I	84.010	44479-C1S1-01	153,118		155,068	
	84.010	44479-C1S1-01-C	49,805		31,492	
	84.010	44479-C1S1-02	234,575		240,964	
	84.010				7,933	
Total Title I			437,498		435,457	
Special Education Cluster: Education of the Handicapped	84.027	44479-6BSF-02-P	111,579		125,400	
	84.027				66,864	
Total Special Education Cluster			111,579		192,264	
Goals 2000: State and Local Education Systematic Improvement Grants	84.276				4,742	
	84.276				11,729	
Total Goals 2000					16,471	
Eisenhower Professional Development	84.281	44479-MSS1-01	1,199			
	84.281	44479MSS1-02	13,276		1,768	
Total Eisenhower Professional Development			14,475		1,768	
Innovative Education Program Strategies	84.298	44479-C2S1-01	6,838		5,554	
	84.298				2,865	
Total Innovative Education Program Strategies			6,838		8,419	
Reducing Class Size Title VI - R	84.340	44479-CRS1-01	25,100		40,471	
	84.340	44479-CRS1-02	26,510		22,590	
Total Reducing Class Size Title VI - R			51,610		63,061	
Total U.S. Department of Education			622,000		717,440	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of MRDD:</i>						
Medical Assistance Program - CAFS	93.778	N/A	42,247		42,247	
Total U.S. Department of Health and Human Services			42,247	0 0	42,247	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$971,164</b>	<b>\$51,949</b>	<b>\$1,066,604</b>	<b>\$51,849</b>

See the accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, commodities are presented as Federal Donated Commodities.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

New Lexington City School District  
Perry County  
101 Third Avenue  
New Lexington, Ohio 43764

To Members of the Board:

We have audited the financial statements of the New Lexington City School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-11064-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 19, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 19, 2002.

New Lexington City School District  
Perry County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

**Jim Petro**  
Auditor of State

December 19, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

New Lexington City School District  
Perry County  
101 Third Avenue  
New Lexington, Ohio 43764

To Members of the Board:

**Compliance**

We have audited the compliance of the New Lexington City School District, Perry County, Ohio (the 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 year ended June 30, 2002. The 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, and contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 the School District's compliance with those requirements.

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

**Internal Control Over Compliance**

The management of the School District is responsible to establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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.

New Lexington City School District  
Perry County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control Over  
Compliance in Accordance With OMB Circular A-133  
Page 2

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 weaknesses 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 with 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, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 19, 2002



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2002-11064-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39, requires that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate.

For the fiscal year ended June 30, 2002, appropriations exceeded estimated resources in the following funds:

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2002  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-11064-001 (Continued)**

Ohio Rev. Code Section 5705.39 (Continued)

Fund	Estimated Resources	Appropriations	Variance
Public School Support Fund	\$ 73,058	\$ 95,800	\$ (22,742)
Disadvantaged Pupil Impact Aid Fund	369,372	415,157	(45,785)
School Net Professional Development Fund	4,185	7,635	(3,450)
Ohio Reads Fund	17,535	21,535	(4,000)
Food Service Fund	621,000	707,426	(86,426)
Athletics Fund	91,852	129,000	(37,148)

Prior to the Board authorizing the original appropriations or approving any amendments, we recommend the Board compare proposed appropriations with the amounts reflected on the (Amended) Certificate of Estimated Resources to ensure that appropriations will not exceed the School District's estimated resources. Since appropriation measures do not become effective until the County Auditor files a certificate that appropriations do not exceed estimated resources, the School District management should not order any expenditure of money until the County Auditor certifies that appropriations do not exceed estimated resources for each School District fund. The School District expended money before the County Auditor certified that appropriations did not exceed estimated resources for fiscal year 2002.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**NEW LEXINGTON CITY SCHOOL DISTRICT**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**