



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District experienced a deficiency of disbursements over receipts. This deficiency and management's plan in regard to this matter is described in Note 20 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 4, 2004

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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ -	\$ 351,234	\$ 385,638	\$ 755,879
Investments in segregated accounts.	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	2,004,658	38,250	283,968	44,307
Accounts	429	940	-	-
Due from other governments	-	299,211	-	-
Materials and supplies inventory	14,486	-	-	-
Prepayments.	26,445	-	-	-
Due from other funds	-	-	-	115,500
Inventory held for resale.	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	63,594	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 2,109,612	\$ 689,635	\$ 669,606	\$ 915,686
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 32,003	\$ 11,674	\$ -	\$ 17,225
Contracts payable.	-	-	-	340,444
Accrued interest payable	-	-	17,556	-
Accrued wages and benefits.	816,252	75,722	-	-
Compensated absences payable.	55,283	-	-	-
Pension obligation payable	128,793	800	-	-
Early retirement incentive payable	-	-	-	-
Claims payable	-	-	-	-
Deferred revenue	1,780,606	333,295	247,451	40,351
Due to other governments.	22,837	2,531	-	-
Due to students	-	-	-	-
Due to other funds.	-	4,035	-	-
General obligation bonds payable.	-	-	-	-
Lease-purchase agreement payable	-	-	-	-
Total liabilities	2,835,774	428,057	265,007	398,020
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit): unreserved.	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	86,502	102,094	-	613,283
Reserved for materials and supplies inventory.	14,486	-	-	-
Reserved for prepayments	26,445	-	-	-
Reserved for debt service	-	-	368,082	-
Reserved for tax revenue unavailable for appropriation.	224,052	4,226	36,517	3,956
Reserved for BWC refunds	41,643	-	-	-
Reserved for textbooks	21,951	-	-	-
Unreserved-undesignated (deficit).	(1,141,241)	155,258	-	(99,573)
Total equity and other credits	(726,162)	261,578	404,599	517,666
Total liabilities, equity and other credits.	\$ 2,109,612	\$ 689,635	\$ 669,606	\$ 915,686

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 1,713	\$ -	\$ 60,712	\$ -	\$ -	\$ 1,555,176
-	-	2,076	-	-	2,076
-	-	-	-	-	2,371,183
165	-	-	-	-	1,534
34,300	-	-	-	-	333,511
-	-	-	-	-	14,486
-	-	-	-	-	26,445
-	-	-	-	-	115,500
11,954	-	-	-	-	11,954
-	-	-	-	-	63,594
7,548	-	-	23,601,182	-	23,608,730
-	-	-	-	422,155	422,155
-	-	-	-	4,335,147	4,335,147
<u>\$ 55,680</u>	<u>\$ -</u>	<u>\$ 62,788</u>	<u>\$ 23,601,182</u>	<u>\$ 4,757,302</u>	<u>\$ 32,861,491</u>
\$ 3,682	\$ -	\$ -	\$ -	\$ -	\$ 64,584
-	-	-	-	-	340,444
-	-	-	-	-	17,556
38,373	-	-	-	-	930,347
4,424	-	-	-	473,681	533,388
19,548	-	-	-	73,143	222,284
-	-	-	-	10,000	10,000
-	171,680	-	-	-	171,680
-	-	-	-	-	2,401,703
815	144,738	-	-	-	170,921
-	-	50,529	-	-	50,529
111,465	-	-	-	-	115,500
-	-	-	-	3,330,000	3,330,000
-	-	-	-	870,478	870,478
<u>178,307</u>	<u>316,418</u>	<u>50,529</u>	<u>-</u>	<u>4,757,302</u>	<u>9,229,414</u>
-	-	-	23,601,182	-	23,601,182
25,891	-	-	-	-	25,891
(148,518)	(316,418)	-	-	-	(464,936)
-	-	1,032	-	-	802,911
-	-	-	-	-	14,486
-	-	-	-	-	26,445
-	-	-	-	-	368,082
-	-	-	-	-	268,751
-	-	-	-	-	41,643
-	-	-	-	-	21,951
-	-	11,227	-	-	(1,074,329)
<u>(122,627)</u>	<u>(316,418)</u>	<u>12,259</u>	<u>23,601,182</u>	<u>-</u>	<u>23,632,077</u>
<u>\$ 55,680</u>	<u>\$ -</u>	<u>\$ 62,788</u>	<u>\$ 23,601,182</u>	<u>\$ 4,757,302</u>	<u>\$ 32,861,491</u>

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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Types	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,154,856	\$ 36,578	\$ 314,954	\$ 41,394	\$ -	\$ 2,547,782
Tuition	27,289	-	-	-	-	27,289
Earnings on investments	13,330	-	-	36,126	36	49,492
Extracurricular	-	162,292	-	-	-	162,292
Other local revenues	72,291	-	-	-	111,402	183,693
Intergovernmental - State	5,579,856	175,409	35,878	822,978	-	6,614,121
Intergovernmental - Federal	-	609,910	-	-	-	609,910
Total revenue	<u>7,847,622</u>	<u>984,189</u>	<u>350,832</u>	<u>900,498</u>	<u>111,438</u>	<u>10,194,579</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,642,444	201,401	-	10,796	-	3,854,641
Special	745,020	415,352	-	-	-	1,160,372
Vocational	137,533	-	-	-	-	137,533
Other	53,060	4,436	-	-	-	57,496
Support services:						
Pupil	430,553	49,144	-	-	-	479,697
Instructional staff	498,103	137,632	-	66,484	-	702,219
Board of Education	27,719	-	-	-	-	27,719
Administration	793,204	37,642	-	-	-	830,846
Fiscal	253,818	-	-	-	-	253,818
Operations and maintenance	1,132,853	14,000	-	-	9,890	1,156,743
Pupil transportation	613,291	7,067	-	51	-	620,409
Central	-	-	-	2,159	-	2,159
Community services	610	-	-	-	-	610
Extracurricular activities	161,738	161,751	-	-	-	323,489
Facilities acquisition and construction	71,547	21,015	-	7,815,175	-	7,907,737
Debt service:						
Principal retirement	-	-	145,000	-	47,092	192,092
Interest and fiscal charges	-	-	213,154	-	52,908	266,062
Total expenditures	<u>8,561,493</u>	<u>1,049,440</u>	<u>358,154</u>	<u>7,894,665</u>	<u>109,890</u>	<u>17,973,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(713,871)</u>	<u>(65,251)</u>	<u>(7,322)</u>	<u>(6,994,167)</u>	<u>1,548</u>	<u>(7,779,063)</u>
Other financing sources (uses):						
Proceeds from sale of fixed assets	<u>1,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,985</u>
Total other financing sources (uses)	<u>1,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,985</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(711,886)</u>	<u>(65,251)</u>	<u>(7,322)</u>	<u>(6,994,167)</u>	<u>1,548</u>	<u>(7,777,078)</u>
Fund balances, July 1	(22,805)	326,829	411,921	7,511,833	10,711	8,238,489
Increase in reserve for inventory	8,529	-	-	-	-	8,529
Fund balances (deficit), June 30	<u>\$ (726,162)</u>	<u>\$ 261,578</u>	<u>\$ 404,599</u>	<u>\$ 517,666</u>	<u>\$ 12,259</u>	<u>\$ 469,940</u>

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,100,677	\$ 2,101,679	\$ 1,002	\$ 35,663	\$ 35,674	\$ 11
Tuition	27,289	27,289	-	-	-	-
Earnings on investments	13,048	13,330	282	-	-	-
Extracurricular	-	-	-	152,806	162,350	9,544
Other local revenues	71,806	71,907	101	-	-	-
Intergovernmental - State	5,604,343	5,579,857	(24,486)	197,200	175,409	(21,791)
Intergovernmental - Federal	-	-	-	867,216	623,590	(243,626)
Total revenues	<u>7,817,163</u>	<u>7,794,062</u>	<u>(23,101)</u>	<u>1,252,885</u>	<u>997,023</u>	<u>(255,862)</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,763,238	3,640,273	122,965	368,626	262,331	106,295
Special	731,316	734,858	(3,542)	556,729	442,260	114,469
Vocational	138,225	136,200	2,025	302	-	302
Other	7,850	69,765	(61,915)	4,608	4,413	195
Support services:						
Pupil	417,565	424,045	(6,480)	40,180	50,093	(9,913)
Instructional staff	656,186	514,253	141,933	218,277	150,556	67,721
Board of Education	28,920	28,015	905	-	-	-
Administration	840,137	781,551	58,586	68,385	38,115	30,270
Fiscal	263,755	252,317	11,438	-	-	-
Operations and maintenance	998,321	1,226,714	(228,393)	14,648	14,000	648
Pupil transportation	626,695	613,759	12,936	19,451	7,659	11,792
Central	-	-	-	2,584	-	2,584
Community services	3,549	1,031	2,518	-	-	-
Extracurricular activities	95,883	158,753	(62,870)	197,115	177,954	19,161
Facilities acquisition and construction	49,145	71,547	(22,402)	186,906	43,137	143,769
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,620,785</u>	<u>8,653,081</u>	<u>(32,296)</u>	<u>1,677,811</u>	<u>1,190,518</u>	<u>487,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(803,622)</u>	<u>(859,019)</u>	<u>(55,397)</u>	<u>(424,926)</u>	<u>(193,495)</u>	<u>231,431</u>
Other financing sources (uses):						
Operating transfers in	6,913	47,692	40,779	3,725	3,725	-
Operating transfers out	(8,125)	(48,904)	(40,779)	(5,084)	(5,084)	-
Proceeds from sale of fixed assets	1,985	1,985	-	-	-	-
Refund of prior year expenditure	102,315	102,315	-	-	-	-
Total other financing sources (uses)	<u>103,088</u>	<u>103,088</u>	<u>-</u>	<u>(1,359)</u>	<u>(1,359)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(700,534)</u>	<u>(755,931)</u>	<u>(55,397)</u>	<u>(426,285)</u>	<u>(194,854)</u>	<u>231,431</u>
Fund balances, July 1	538,709	538,709	-	402,021	402,021	-
Prior year encumbrances appropriated	161,825	161,825	-	26,264	26,264	-
Fund balances (deficit), June 30	<u>\$ -</u>	<u>\$ (55,397)</u>	<u>\$ (55,397)</u>	<u>\$ 2,000</u>	<u>\$ 233,431</u>	<u>\$ 231,431</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 307,587	\$ 307,685	\$ 98	\$ 40,328	\$ 40,352	\$ 24	\$ 2,484,255	\$ 2,485,390	\$ 1,135
-	-	-	-	-	-	27,289	27,289	-
-	-	-	35,763	36,125	362	48,811	49,455	644
-	-	-	-	-	-	152,806	162,350	9,544
-	-	-	-	-	-	71,806	71,907	101
35,878	35,878	-	822,978	822,978	-	6,660,399	6,614,122	(46,277)
-	-	-	-	-	-	867,216	623,590	(243,626)
<u>343,465</u>	<u>343,563</u>	<u>98</u>	<u>899,069</u>	<u>899,455</u>	<u>386</u>	<u>10,312,582</u>	<u>10,034,103</u>	<u>(278,479)</u>
-	-	-	12,649	11,997	652	4,144,513	3,914,601	229,912
-	-	-	-	-	-	1,288,045	1,177,118	110,927
-	-	-	-	-	-	138,527	136,200	2,327
-	-	-	-	-	-	12,458	74,178	(61,720)
-	-	-	-	-	-	457,745	474,138	(16,393)
-	-	-	73,241	67,784	5,457	947,704	732,593	215,111
-	-	-	-	-	-	28,920	28,015	905
-	-	-	7,438	-	7,438	915,960	819,666	96,294
-	-	-	-	-	-	263,755	252,317	11,438
-	-	-	-	-	-	1,012,969	1,240,714	(227,745)
-	-	-	61	51	10	646,207	621,469	24,738
-	-	-	3,275	2,537	738	5,859	2,537	3,322
-	-	-	-	-	-	3,549	1,031	2,518
-	-	-	-	-	-	292,998	336,707	(43,709)
-	-	-	10,923,493	10,815,016	108,477	11,159,544	10,929,700	229,844
309,491	145,000	164,491	-	-	-	309,491	145,000	164,491
410,254	195,598	214,656	-	-	-	410,254	195,598	214,656
<u>719,745</u>	<u>340,598</u>	<u>379,147</u>	<u>11,020,157</u>	<u>10,897,385</u>	<u>122,772</u>	<u>22,038,498</u>	<u>21,081,582</u>	<u>956,916</u>
<u>(376,280)</u>	<u>2,965</u>	<u>379,245</u>	<u>(10,121,088)</u>	<u>(9,997,930)</u>	<u>123,158</u>	<u>(11,725,916)</u>	<u>(11,047,479)</u>	<u>678,437</u>
-	-	-	-	-	-	10,638	51,417	40,779
(6,393)	-	6,393	(100)	-	100	(19,702)	(53,988)	(34,286)
-	-	-	-	-	-	1,985	1,985	-
-	-	-	-	-	-	102,315	102,315	-
<u>(6,393)</u>	<u>-</u>	<u>6,393</u>	<u>(100)</u>	<u>-</u>	<u>100</u>	<u>95,236</u>	<u>101,729</u>	<u>6,493</u>
(382,673)	2,965	385,638	(10,121,188)	(9,997,930)	123,258	(11,630,680)	(10,945,750)	684,930
382,673	382,673	-	3,936,750	3,936,750	-	5,260,153	5,260,153	-
-	-	-	6,184,438	6,184,438	-	6,372,527	6,372,527	-
<u>\$ -</u>	<u>\$ 385,638</u>	<u>\$ 385,638</u>	<u>\$ -</u>	<u>\$ 123,258</u>	<u>\$ 123,258</u>	<u>\$ 2,000</u>	<u>\$ 686,930</u>	<u>\$ 684,930</u>

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$ 26,060	\$ -	\$ 26,060
Sales/charges for services	157,181	1,724,273	1,881,454
Other operating revenues.	<u>-</u>	<u>556</u>	<u>556</u>
Total operating revenues	<u>183,241</u>	<u>1,724,829</u>	<u>1,908,070</u>
Operating expenses:			
Personal services	263,114	116,975	380,089
Contract services	2,610	-	2,610
Materials and supplies	216,015	41	216,056
Depreciation	269	-	269
Claims expense.	-	1,722,530	1,722,530
Other	<u>1,110</u>	<u>-</u>	<u>1,110</u>
Total operating expenses	<u>483,118</u>	<u>1,839,546</u>	<u>2,322,664</u>
Operating loss	<u>(299,877)</u>	<u>(114,717)</u>	<u>(414,594)</u>
Nonoperating revenues (expenses):			
Operating grants	180,953	-	180,953
Federal commodities	25,465	-	25,465
Loss on disposal of fixed assets.	(2,391)	-	(2,391)
Interest revenue.	<u>-</u>	<u>9</u>	<u>9</u>
Total nonoperating revenues (expenses)	<u>204,027</u>	<u>9</u>	<u>204,036</u>
Net loss	(95,850)	(114,708)	(210,558)
Retained earnings (accumulated deficit), July 1	<u>(52,668)</u>	<u>(201,710)</u>	<u>(254,378)</u>
Retained earnings (accumulated deficit), June 30	<u>\$ (148,518)</u>	<u>\$ (316,418)</u>	<u>\$ (464,936)</u>

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

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 26,215	\$ -	\$ 26,215
Cash received from sales/service charges	157,126	1,724,273	1,881,399
Cash received from other operations	-	556	556
Cash payments for personal services	(250,141)	(116,975)	(367,116)
Cash payments for contract services	(2,074)	-	(2,074)
Cash payments for materials and supplies	(196,953)	(41)	(196,994)
Cash payments for claims expenses	-	(1,607,822)	(1,607,822)
Cash payments for other expenses	(1,110)	-	(1,110)
Net cash used in operating activities	<u>(266,937)</u>	<u>(9)</u>	<u>(266,946)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	148,813	-	148,813
Cash received from other funds	111,465	-	111,465
Net cash provided by noncapital financing activities	<u>260,278</u>	<u>-</u>	<u>260,278</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(772)	-	(772)
Net cash used in capital and related financing activities	<u>(772)</u>	<u>-</u>	<u>(772)</u>
Cash flows from investing activities:			
Interest received	-	9	9
Net cash provided by investing activities	<u>-</u>	<u>9</u>	<u>9</u>
Net decrease in cash and cash equivalents	(7,431)	-	(7,431)
Cash and cash equivalents at beginning of year	9,144	-	9,144
Cash and cash equivalents at end of year	<u>\$ 1,713</u>	<u>\$ -</u>	<u>\$ 1,713</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (299,877)	\$ (114,717)	\$ (414,594)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	269	-	269
Federal donated commodities	25,465	-	25,465
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(7,336)	-	(7,336)
Decrease in accounts receivable	143	-	143
Increase in accounts payable	3,682	-	3,682
Increase in accrued wages and benefits	6,668	-	6,668
Increase in compensated absences payable	631	-	631
Increase in pension obligation payable	6,554	-	6,554
Increase (decrease) in due to other governments	(880)	141,454	140,574
Decrease in claims payable	-	(26,746)	(26,746)
Decrease in deferred revenue	(2,256)	-	(2,256)
Net cash used in operating activities	<u>\$ (266,937)</u>	<u>\$ (9)</u>	<u>\$ (266,946)</u>

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

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Newcomerstown Exempted Village School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 53 non-certificated employees, 106 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,296 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued 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 District's accounting policies are as follows:

A. Reporting Entity

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating District's control is limited to its representation on the Career Center's Board of Education.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The OME-RESA is one of twenty-five regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-nine member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the District's continued participation and no equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

B. Basis of Presentation - Fund Accounting

The 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 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.

For GPFS presentation purposes, the various funds of the 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 District are financed. The acquisition, use, and balances of the 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 District's governmental fund types:

General Fund - The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Special Revenue Funds - The 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 District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for 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 District on a cost reimbursement basis.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds and an agency fund. The expendable trust funds are 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. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (see Note 3.C.).

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 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 District, except those accounted for in the proprietary or trust fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined 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.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund 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 GPFS. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds and expendable trust fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

In applying the susceptible to accrual concept under the modified accrual basis of accounting, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. 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 cannot exceed estimated resources, as certified.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District's "legal level" of budgetary control is at the fund level of expenditures for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 tax rates.

By no later than January 20, the Board-adopted budget is filed with the Tuscarawas 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 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Appropriation Resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education.

The Board of Education 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. Supplemental appropriations were legally enacted by the Board during fiscal year 2003.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, 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.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. 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 GPFS 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.

E. Cash and Investments

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

During fiscal year 2003, investments consisted of a nonnegotiable certificate of deposit and a repurchase agreement. Investments are reported at fair market value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The certificate of deposit maintained in the Claude Hinds Memorial Fund is reflected on the combined balance sheet as "Investments in Segregated Accounts".

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the Classroom Facilities capital projects fund and the expendable trust funds. The Food Service enterprise fund receives interest earnings based upon federal mandate and the Self-Insurance internal service fund receives interest earnings as the amount is held by a fiscal agent in an interest bearing account separate from the District's internal investment pool. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$13,330, which includes \$12,133 assigned from other 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 District are considered to be cash equivalents.

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

F. 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.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 District maintains a capitalization threshold of \$500 for all fixed assets other than building improvements. A building improvement must have significant impact and be of a material amount, \$5,000 or more per improvement, in order to be capitalized. The 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. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. 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.

H. Compensated Absences

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

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

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

I. 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, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits 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 60 days after year-end are considered not to have been made with current available financial resources. Bonds and capital leases 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.

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable and payable". The District had no short-term interfund loans receivable or payable at June 30, 2003.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

An analysis of interfund transactions is presented in Note 5.

K. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances, inventories of materials and supplies, prepayments, debt service, tax advance unavailable for appropriation, Bureau of Workers' Compensation (BWC) refunds and textbooks. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There were no capital contributions received by the enterprise funds in 2003. Contributed capital in the enterprise funds at June 30, 2003, is \$25,891.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balance/retained earning at June 30, 2003, included the following individual fund deficits:

	<u>Deficit Balance</u>
General Fund	\$726,162
<u>Special Revenue Funds</u>	
Title VI-B	2,778
Title I	40,700
Miscellaneous Federal Grants	8,067
Improving Teacher Quality	2,387
<u>Enterprise Fund</u>	
Food Service	150,341
<u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	316,418

The Miscellaneous Federal Grants special revenue fund, Food Service enterprise fund and Employee Benefits Self-Insurance fund did not comply with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the general fund, Title VI-B, Title I, Miscellaneous, and Improving Teacher Quality special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service enterprise fund is due to the reporting of accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be funded by user charges and other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Internal Service Employee Benefits Self-Insurance Fund is a result of the application of GAAP, namely in the recognition of incurred but not paid and incurred but not reported claims as a fund liability. This deficit will be eliminated as premiums are received to pay these claims.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

- B.** The following funds had expenditures in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
General Fund	\$ 73,256
 <u>Special Revenue Funds</u>	
Athletics	5,347
 <u>Enterprise Fund</u>	
Food Service	165,715
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	172,511

The District had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

<u>Fund</u>	<u>Amount</u>
 <u>Special Revenue Fund</u>	
Miscellaneous Federal Grants	\$ 4,035
 <u>Enterprise Fund</u>	
Food Service	111,465
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	144,738

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Fund

The following is an accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES

Accounts payable	\$6,425
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 25% of the interim monies available for investment at any one time; and

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

Cash with agent: At June 30, 2003, the District had a negative cash balance with the Ohio Mid-Eastern Regional Education Service Agency of \$144,738. This amount has been reflected as a liability on the balance sheet as due to other governments.

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

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$798,260 and the bank balance, including non-negotiable certificates of deposit, was \$919,964. Of the bank balance:

1. \$102,076 was covered by federal depository insurance; and
2. \$817,888 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$822,586</u>	<u>\$822,586</u>	<u>\$822,586</u>

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No 9	\$1,618,770	\$ 2,076
Investments of the cash management pool:		
Certificate of deposit with an original maturity greater than three months	2,076	(2,076)
Repurchase agreement	<u>(822,586)</u>	<u>822,586</u>
GASB Statement No. 3	<u>\$ 798,260</u>	<u>\$822,586</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 5 - INTERFUND TRANSACTIONS

At June 30, 2003, the Miscellaneous Federal Grants special revenue fund and the Food Service enterprise fund had negative cash balances. These fund overdrafts of the internal investment pool have been reported as fund liabilities of the respective funds.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Special Revenue Funds</u>		
Miscellaneous Federal Grants	\$ -	\$ 4,035
<u>Capital Projects Fund</u>		
Classroom Facilities	115,500	-
<u>Enterprise Fund</u>		
Food Service	<u>-</u>	<u>111,465</u>
Total	<u>\$115,500</u>	<u>\$ 115,500</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at varying rates of true value and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed value upon which the 2002 taxes were collected was \$82,188,970. Agricultural/residential and minerals real estate represented 59.23% or \$48,675,980 of this total; commercial & industrial real estate represented 16.46% or \$13,523,770 of this total, public utility tangible represented 8.42% or \$6,927,480 of this total and general tangible property represented 15.89% or \$13,061,740 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$42.60 per \$1,000.00 of assessed valuation for operations, \$1.50 per \$1,000.00 of assessed valuation for permanent improvements and \$4.15 per \$1,000.00 of assessed valuation for debt service.

The District receives property taxes from Tuscarawas, Coshocton and Guernsey Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2004 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, 2003. 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 therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, and recorded as revenue, at June 30, 2003, was \$224,052 in the general fund, \$4,226 in the Classroom Maintenance special revenue fund, \$36,517 in the debt service fund and \$3,956 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (billings for user charged services and student fees), due from other funds, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by fiscal year-end. Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,004,658
Accounts	429
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	38,250
Accounts	940
Due from other governments	267,937
<u>Debt Service Fund</u>	
Taxes - current and delinquent	283,968
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	44,307
Due from other funds	115,500
<u>Enterprise Funds</u>	
Accounts	165
Due from other governments	24,445

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, as follows:

Furniture and equipment	\$ 24,097
Less accumulated depreciation	(16,549)
Net fixed assets	<u>\$ 7,548</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the changes in general fixed assets during fiscal year 2003 is as follows:

<u>Asset Category</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Land and improvements	\$ 1,053,993	\$ -	\$ -	\$ 1,053,993
Building and improvements	4,713,496	38,189	-	4,751,685
Furniture, fixtures and equipment	1,769,388	175,034	(34,094)	1,910,328
Vehicles	685,091	114,914	-	800,005
Construction in progress	<u>7,640,106</u>	<u>7,445,065</u>	<u>-</u>	<u>15,085,171</u>
Totals	<u>\$15,862,074</u>	<u>\$7,773,202</u>	<u>\$(34,094)</u>	<u>\$23,601,182</u>

The construction in progress represents costs incurred for the District's Construction Project (described in Note 10.B.) and for the reconstruction and improvement of Lee Stadium (described in Note 9).

NOTE 9 - LEASE - PURCHASE AGREEMENT

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee expendable trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2003, the District made principal payments totaling \$47,092 and interest payments totaling \$52,908 on the lease-purchase agreement. The lease payments are recorded as expenditures in the debt service fund.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of land and building improvements have been capitalized in the general fixed assets account group in the amount of \$1,012,028. This amount represents the costs of the reconstruction and improvements of Lee Stadium funded by the lease-purchase agreement.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LEASE - PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30, 2003	Amount
2004	\$ 100,000
2005	100,000
2006	100,000
2007	97,000
2008	97,000
2009 - 2013	481,000
2014 - 2016	<u>269,734</u>
Total	1,244,734
Less: amount representing interest	<u>(374,256)</u>
Present value of minimum lease payments	<u>\$ 870,478</u>

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the reconstruction and improvements of Lee Stadium are being made to Banc One Leasing Corporation. The District is the lessor and Banc One Leasing Corporation is the lessee under the ground-lease agreement. The sublease commenced on June 15, 2001 and terminates on June 15, 2021, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS

A. On October 1, 1999, the District issued \$715,000 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 4.55% to 5.55% per annum and mature in various installments through December 1, 2010. The proceeds of the bonds were used to advance refund the 1989 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying GPFS.

Payments of principal and interest on the refunding bonds are made from the debt service fund. The following is a description of the District's refunding bond activity for fiscal year 2003:

	<u>Interest Rate</u>	<u>Outstanding July 1, 2002</u>	<u>Issued in 2003</u>	<u>Retired in 2003</u>	<u>Outstanding June 30, 2003</u>
General obligation bonds	4.65%	<u>\$515,000</u>	<u>\$ -</u>	<u>\$(65,000)</u>	<u>\$450,000</u>

B. During fiscal year 2001, the District issued \$3,037,000 in general obligation bonds to provide funds for the renovations and additions to the existing west elementary, middle school and high school (hereafter "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.2 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2003, the total estimated cost of the Construction Project is \$16,690,000. The Construction Project is expected to be completed in fiscal year 2004.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the general obligation bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2024.

In conjunction with the 3.2 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the Classroom Facilities Maintenance special revenue fund.

The following is a description of the District's school improvement bonds activity for fiscal year 2003:

	<u>Interest Rate</u>	<u>Outstanding July 1, 2002</u>	<u>Issued in 2003</u>	<u>Retired in 2003</u>	<u>Outstanding June 30, 2003</u>
General obligation bonds	4.50%	<u>\$2,960,000</u>	<u>\$ -</u>	<u>\$(80,000)</u>	<u>\$2,880,000</u>

C. The changes in the District's long-term obligations during fiscal year 2003 were as follows:

	<u>Balance Outstanding July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Outstanding June 30, 2003</u>
General obligation bonds	\$3,475,000	\$ -	\$(145,000)	\$3,330,000
Pension obligation	64,209	73,143	(64,209)	73,143
Early retirement incentive	-	10,000	-	10,000
Compensated absences	419,393	105,645	(51,357)	473,681
Lease-purchase agreement payable	<u>917,570</u>	<u>-</u>	<u>(47,092)</u>	<u>870,478</u>
Total general long-term obligations	<u>\$4,876,172</u>	<u>\$188,788</u>	<u>\$(307,658)</u>	<u>\$4,757,302</u>

Compensated absences, pension obligations and the early retirement incentive will be paid from the fund from which the employees' salaries are paid. The general obligation bonds and the lease-purchase agreement are paid from the debt service fund.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 140,000	\$ 181,942	\$ 321,942
2005	145,000	175,156	320,156
2006	150,000	168,050	318,050
2007	155,000	160,619	315,619
2008	155,000	152,974	307,974
2009 - 2013	720,000	648,861	1,368,861
2014 - 2018	720,000	468,407	1,188,407
2019 - 2023	925,000	213,530	1,138,530
2024	<u>220,000</u>	<u>6,875</u>	<u>226,875</u>
Total	<u>\$3,330,000</u>	<u>\$2,176,414</u>	<u>\$5,506,414</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$4,489,162 (including available funds of \$422,155) and an unvoted debt margin of \$82,189.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn five to twenty days of vacation per 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.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 50 days for all employees.

B. Early Retirement Incentive

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS) employees who elect to retire within 30 days after the end of the school year in which he/she becomes eligible for retirement under STRS criteria. This is a one time opportunity for those eligible in fiscal years 2001 - 2003. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the May Board meeting in fiscal years 2001 - 2003. The one time cash payment of \$10,000 shall be made within 30 days of the retirement date or on January 2 of the following year. The District had two employees that took advantage of the early retirement incentive during fiscal year 2003.

C. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to employees through Medical Life Insurance Company in the amount of \$30,000.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Ohio School Plan for property insurance, for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

Building and contents - replacement cost (\$1,000 deductible)	100% Blanket
Inland marine coverage "contents" (\$250 deductible)	\$ 1,050,000
Boiler and machinery "contents" (\$1,000 deductible)	19,239,467
Automobile liability (no deductible)	1,000,000
Professional liability:	
Per occurrence	2,000,000
Per aggregate	5,000,000
Excess auto liability	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Workers' Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. 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.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Employee Group Life, Medical, Dental, and Vision Insurance

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$171,680 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2003	\$198,426	\$1,581,076	\$(1,607,822)	\$171,680
2002	267,018	1,308,682	(1,377,274)	198,426

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 157,181	\$26,060	\$ 183,241
Operating expenses less depreciation	449,249	33,600	482,849
Depreciation expense	269	-	269
Operating loss	(292,337)	(7,540)	(299,877)
Operating grants	180,953	-	180,953
Donated commodities	25,465	-	25,465
Net loss	(88,310)	(7,540)	(95,850)
Net working capital	(116,846)	1,823	(115,023)
Total assets	53,857	1,823	55,680
Total liabilities	178,307	-	178,307
Contributed capital	25,891	-	25,891
Total equity	(124,450)	1,823	(122,627)
Encumbrances	53,915	-	53,915

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$156,108, \$137,866, and \$132,694, respectively; 41.88% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$90,732, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$542,414, \$545,414, and \$525,789, respectively; 81.49% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$100,428, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$38,744 during fiscal 2003.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$77,849 during the 2003 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

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

	<u>All Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(755,931)	\$(194,854)	\$ 2,965	\$(9,997,930)
Net adjustment for revenue accruals	53,560	(12,834)	7,269	1,043
Net adjustment for expenditure accruals	(27,403)	27,310	(17,556)	2,254,599
Net adjustment for other financing sources/(uses) accruals	(101,103)	1,359	-	-
Encumbrances (budget basis)	<u>118,991</u>	<u>113,768</u>	<u>-</u>	<u>748,121</u>
GAAP basis	<u>\$(711,886)</u>	<u>\$ (65,251)</u>	<u>\$ (7,322)</u>	<u>\$(6,994,167)</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$ 165,542	\$ (4,420,541)	\$41,643
Current year set-aside requirement	172,316	172,316	-
Current year offsets	-	(75,991)	-
Qualifying disbursements	<u>(146,524)</u>	<u>(10,252,153)</u>	<u>-</u>
Total	<u>\$ 191,334</u>	<u>\$(14,576,369)</u>	<u>\$41,643</u>
Amount to limit set-aside to cash available	<u>\$(169,383)</u>	<u>\$ -</u>	<u>\$ -</u>
Cash balance carried forward to FY 2004	<u>\$ 21,951</u>	<u>\$ -</u>	<u>\$41,643</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	\$41,643
Amount restricted for textbooks	<u>21,951</u>
Total restricted assets	<u>\$63,594</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had the following contractual commitments outstanding related to the Construction Project. A summary of the primary contractual commitments follows.

	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at June 30, 2003</u>
Columbus H & V	\$ 2,894,375	\$2,836,242	\$ 58,133
FF & E	522,000	-	522,000
DE Williams	451,104	444,334	6,770
Helbling's	134,138	119,173	14,965
Knoch Corp.	5,945,181	5,803,852	141,329
Standard H&P	<u>345,000</u>	<u>303,588</u>	<u>41,412</u>
Totals	<u>\$10,291,798</u>	<u>\$9,507,189</u>	<u>\$784,609</u>

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

On November 4, 2003, the voters of the District collectively rejected a 9.2 mill, emergency operating levy. On March 2, 2004, the voters of the District also collectively rejected a 9.1 mill, emergency operating levy. After the November 2003 election, the District was contacted by the Ohio Department of Education and was instructed to submit a plan to reduce expenses. The plan that was submitted at that time included personnel cuts, both certified and classified, the elimination of all extra-curricular activities and the potential closing of one of the District's four school buildings. Since that letter was submitted to the Ohio Department of Education, the Board of Education reconsidered the potential cuts. The Board plans to follow through with the personnel cuts, both certified and classified, and rather than eliminate all extra-curricular activities, the Board has decided to institute a pay-to-participate fee for athletics, thespians, choir, band and prom. After the failure of the March 2, 2004 levy issue, the Board will again meet on March 11, 2004, to reconsider the potential cuts and to determine if additional educational areas need cut.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$25,465		\$22,831
National School Breakfast Program	N/A	10.553	\$14,141		\$14,141	
National School Lunch Program	N/A	10.555	124,095		124,095	
Total U.S. Department of Agriculture - Child Nutrition Cluster			138,236	25,465	138,236	22,831
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	C1S102 C1S103	84.010	13,680 365,014		60,992 355,133	
Total Title I Grants to Local Educational Agencies			378,694		416,125	
Title VI-B - Special Education - Grants to States	6BSF02 6BSF03	84.027	0 97,754		26,880 92,807	
Total Title VI-B - Special Education - Grants to States			97,754		119,687	
Title V, Innovative Education Strategies Program	C2S103	84.298	1,387		0	
Title VI-R - Class Size Reduction	CRS102	84.340	0		27,607	
Title II Eisenhower Professional Development State Grants	MSS101 MSS102	84.281	0 0		216 3,619	
Total Title II Eisenhower Professional Development State Grants			0		3,835	
Title II-A Improving Teacher Quality State Grants	TRS103	84.367	62,677		55,862	
Title IV - Safe and Drug Free Schools	DRS101 DRS102 DRS103	84.186	0 0 4,221		396 1,136 3,365	
Total Title IV - Safe and Drug Free Schools			4,221		4,897	
Title VI-B Rural Education Grants	RUS103	84.358	4,827		1,843	
Title II-D - Technology Literacy Challenge Funds Grant	TJS103	84.318	2,225		0	
Assistive Technology Infusion Project	ATS 3	84.343	3,495		3,495	
Learn and Serve America Schools	SVS502 SVS503	94.004	6,000 30,000		12,461 23,167	
Total Learn and Serve America Schools			36,000		35,628	
Total U.S. Department of Education			591,280		668,979	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Community Alternative Funding System	N/A	93.778	11,039		11,039	
Total Federal Assistance			\$740,555	\$25,465	\$818,254	\$22,831

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - TRANSFERABILITY OF FEDERAL FUNDS

During 2003, the District made the following reallocations from original budgeted federal programs to other federal programs approved by the Ohio Department of Education:

<u>Fund</u>	<u>CFDA Number</u>	<u>Reallocations</u>
Title I - Grants to LEA's	84.010	\$35,695
Title II-A - Improving Teacher Quality	84.367	<u>(35,695)</u>
Total		<u><u>\$0</u></u>

The Schedule reports the reallocated expenditures in the receiving program ultimately authorized to receive and disburse the monies.



Auditor of State Betty Montgomery

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

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

We have audited the general purpose financial statements of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 4, 2004, wherein we noted the District experienced a deficiency of disbursements over receipts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002.

In addition, we noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 4, 2004.

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www.auditor.state.oh.us

Newcomerstown Exempted Village School District
Tuscarawas County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the Audit Committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 4, 2004



Auditor of State Betty Montgomery

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

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

Compliance

We have audited the compliance of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (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 programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2003-003.

Internal Control Over Compliance

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

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We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We also noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 4, 2004.

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



Betty Montgomery
Auditor of State

March 4, 2004

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 -Title I CFDA #10.550, 10.553, 10.555 – Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. Throughout the year and at year end, the District had negative cash fund balances, up to the amounts listed, in the following funds:

Special Revenue Funds	
Learn and Serve Grant Fund	(\$ 4,519)
Idea Part B Grant Fund	(19,094)
Community Alternative Funding Fund	(12,447)
Enterprise Fund	
Food Service Fund	(111,465)
Uniform School Supplies Fund	(8,664)
Non-Expendable Trust Fund	
Lee Trust Fund	(50,193)
Internal Service Fund	
Self-Insurance Fund	(144,738)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

FINDING NUMBER 2003-002

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

At June 30, 2003, fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

General Fund	\$73,256
Enterprise Fund – Food Service Fund	165,715
Internal Service Fund – Self-Insurance Fund	172,511
Special Revenue Fund – Athletic Fund	5,347

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid overspending.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-003
CFDA Title	Child Nutrition Cluster
CFDA Number	#10.550; 10.553; 10.555
Pass Through Entity Number/Year	N/A/2002-03 Grant Years
Federal Oversight Agency	U.S. Department of Agriculture

Title 7 C.F.R. Section 245.6 and 245.6a provide that to qualify a child for meals/milk served free or at reduced price under the program(s), the child’s family must submit an application to the District. The application must be approved and maintained on file with the District. In addition, by December 15 of each school year, a sample verification of the information supplied on the free and reduced price applications shall be performed by the appropriate District official, for a percentage of applications as specified in the section. Sources of information for verification may include written evidence, collateral contracts, and systems of records, as described in the section. The information sources received should be evaluated and any eligibility changes shall be documented. If the verification activities fail to confirm a student’s eligibility for free or reduced price benefits or should the household fail to cooperate with the verification efforts, the District shall initiate procedures to reduce or terminate benefits.

Section 245.6a(c) further provides that school food authorities verifying applications shall maintain on file for review a description of the verification. The description shall include: (1) A summary of the verification efforts including the techniques to be used; (2) the total number of applications on file by October 31; (3) the percentage or number of applications verified; (4) all verified applications must be readily retrievable by school and include all documents submitted by the household in an effort to confirm eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission; (5) documentation of any changes in eligibility and the reasons for the changes; and (6) all relevant correspondences between the household selected for verification and the school food authority/school.

While certain evidence did exist that an income eligibility verification was conducted, the income eligibility verification file maintained by the Food Service Director did not contain the required elements as outlined in Section 245.6a (c). For example, the District could not provide a listing of the applications selected for verification, nor could the District provide the actual applications selected for verification, the notices sent to the applicant households, the verification documents submitted by households, or the District’s evaluation of submitted verification documents. Verification records were available for certain applications; however, the District could not demonstrate it met the application verification percentage requirement. Additionally, the District did not document the verification method selected from the methods provided for under Section 245.

The Food Service Coordinator should conduct an application verification program in accordance with Section 245.6a, and maintain on file income eligibility documentation that adheres to the requirements outlined in Section 245.6a (c). This will help ensure prescribed supporting documentation exists to support each respective child’s lunch eligibility status.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
GAGAS AND OMB CIRCULAR A -133 §.315(b)
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-11279-001	Ohio Rev. Code Section 5705.10, negative fund balances	No	Not Corrected. See Finding 2003- 001.
2002-11279-002	Child Nutrition Cluster- Title 7 C.F.R. Section 245.6 and 245.6a, Free/reduced applications and verification performed.	No	Not Corrected. See Finding 2003- 003.
2002-11279-003	Child Nutrition Cluster	No	Partially corrected. See Management Letter Comment.



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NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 20, 2004**