

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

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2003*

GINA BLACKMAN, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the New London Local School District, Huron County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 22, 2003

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

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor’s Report

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

We have audited the accompanying general purpose financial statements of the New London Local School District, Huron County, (the “District”) as of and for the fiscal year ended June 30, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of New London Local School District, Huron County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with accounting principles generally accepted of the United States of America.

As discussed in Note 3, the District obtained a fixed asset appraisal for the fiscal year ended June 30, 2003, this resulted in a restatement of fixed assets and retained earnings.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2003 on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
December 9, 2003

NEW LONDON LOCAL SCHOOL DISTRICT
HURON 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.	\$ 921,384	\$ 309,468	\$ 257,654	\$ 763,924
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Cash in segregated accounts	-	-	-	31,982
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent.	2,038,345	37,467	249,004	-
Accounts.	493	594	-	-
Accrued interest	9,969	-	-	-
Due from other governments	-	17,830	-	-
Materials and supplies inventory	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	19,509	-	-	-
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	\$ 2,989,700	\$ 365,359	\$ 506,658	\$ 795,906
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 48,683	\$ 15,127	\$ -	\$ 2,576
Accrued wages and benefits.	622,449	30,754	-	-
Compensated absences payable.	6,044	-	-	-
Due to other governments	28,636	4,417	-	-
Pension obligation payable	135,597	5,537	-	-
Retainage payable.	-	-	-	29,736
Retainage interest payable.	-	-	-	2,246
Deferred revenue	1,553,932	35,884	219,594	-
Due to students	-	-	-	-
General obligation bonds payable.	-	-	-	-
Capital lease obligation payable	-	-	-	-
Asbestos removal loans payable	-	-	-	-
Total liabilities.	2,395,341	91,719	219,594	34,558
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	90,279	23,005	-	68,283
Reserved for debt service	-	-	257,654	-
Reserved for tax revenue unavailable for appropriation.	200,747	4,427	29,410	-
Reserved for principal endowment	-	-	-	-
Reserved for scholarship	-	-	-	-
Reserved for bus purchases	19,509	-	-	-
Unreserved-undesignated	283,824	246,208	-	693,065
Total equity and other credits	594,359	273,640	287,064	761,348
Total liabilities, equity and other credits.	\$ 2,989,700	\$ 365,359	\$ 506,658	\$ 795,906

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 51,556	\$ 69,258	\$ -	\$ -	\$ 2,373,244
-	321,305	-	-	321,305
-	-	-	-	31,982
-	-	-	-	2,324,816
-	-	-	-	1,087
-	139	-	-	10,108
-	-	-	-	17,830
18,657	-	-	-	18,657
-	-	-	-	19,509
184,312	-	20,894,639	-	21,078,951
-	-	-	287,064	287,064
-	-	-	3,487,482	3,487,482
<u>\$ 254,525</u>	<u>\$ 390,702</u>	<u>\$ 20,894,639</u>	<u>\$ 3,774,546</u>	<u>\$ 29,972,035</u>
\$ 334	\$ -	\$ -	\$ -	\$ 66,720
19,168	-	-	-	672,371
9,627	-	-	540,661	556,332
479	-	-	-	33,532
13,065	-	-	61,295	215,494
-	-	-	-	29,736
-	-	-	-	2,246
-	-	-	-	1,809,410
-	27,280	-	-	27,280
-	-	-	3,107,682	3,107,682
-	-	-	30,678	30,678
-	-	-	34,230	34,230
<u>42,673</u>	<u>27,280</u>	<u>-</u>	<u>3,774,546</u>	<u>6,585,711</u>
-	-	20,894,639	-	20,894,639
64,979	-	-	-	64,979
146,873	-	-	-	146,873
-	11,850	-	-	193,417
-	-	-	-	257,654
-	-	-	-	234,584
-	265,507	-	-	265,507
-	55,923	-	-	55,923
-	-	-	-	19,509
-	30,142	-	-	1,253,239
<u>211,852</u>	<u>363,422</u>	<u>20,894,639</u>	<u>-</u>	<u>23,386,324</u>
<u>\$ 254,525</u>	<u>\$ 390,702</u>	<u>\$ 20,894,639</u>	<u>\$ 3,774,546</u>	<u>\$ 29,972,035</u>

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NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,469,526	\$ 35,817	\$ 236,386	\$ -	\$ -	\$ 2,741,729
Tuition	335,226	-	-	-	-	335,226
Earnings on investments	35,763	3,495	-	22,024	916	62,198
Extracurricular	-	274,492	-	-	-	274,492
Donations	-	-	-	-	14,444	14,444
Other local revenues	38,150	9,397	-	-	474	48,021
Intergovernmental - State	4,794,109	110,344	31,866	44,563	-	4,980,882
Intergovernmental - Federal	11,750	317,728	-	-	-	329,478
	<u>7,684,524</u>	<u>751,273</u>	<u>268,252</u>	<u>66,587</u>	<u>15,834</u>	<u>8,786,470</u>
Total revenues						
Expenditures:						
Current:						
Instruction:						
Regular	3,662,496	209,168	-	18,846	-	3,890,510
Special	775,077	163,748	-	-	-	938,825
Vocational	247,580	-	-	-	-	247,580
Other	158,492	651	-	-	-	159,143
Support services:						
Pupil	293,865	8,274	-	-	-	302,139
Instructional staff	284,560	168,126	-	-	344	453,030
Board of education	12,425	-	-	-	-	12,425
Administration	661,945	12,270	5,389	-	-	679,604
Fiscal	190,556	6,511	-	-	-	197,067
Business	-	3,890	-	-	16,253	20,143
Operations and maintenance	726,632	62,169	-	-	-	788,801
Pupil transportation	443,983	-	-	-	-	443,983
Community services	280	1,158	-	-	-	1,438
Extracurricular activities	178,008	192,706	-	-	-	370,714
Facilities acquisition and construction	15,554	14,415	-	980,406	-	1,010,375
Debt service:						
Principal retirement	7,931	-	102,000	-	-	109,931
Interest and fiscal charges	5,600	-	150,284	-	-	155,884
	<u>7,664,984</u>	<u>843,086</u>	<u>257,673</u>	<u>999,252</u>	<u>16,597</u>	<u>9,781,592</u>
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	19,540	(91,813)	10,579	(932,665)	(763)	(995,122)
Other financing sources:						
Proceeds from sale of fixed assets	16,104	-	-	-	-	16,104
	<u>16,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,104</u>
Total other financing sources						
Excess of revenues and other financing sources over (under) expenditures and other financing uses	35,644	(91,813)	10,579	(932,665)	(763)	(979,018)
Fund balances, July 1	558,715	365,453	276,485	1,694,013	42,755	2,937,421
Fund balances, June 30	<u>\$ 594,359</u>	<u>\$ 273,640</u>	<u>\$ 287,064</u>	<u>\$ 761,348</u>	<u>\$ 41,992</u>	<u>\$ 1,958,403</u>

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

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,446,053	\$ 2,475,026	\$ 28,973	\$ 36,048	\$ 35,540	\$ (508)
Tuition	331,302	335,226	3,924	-	-	-
Earnings on investments	56,055	56,719	664	3,751	3,698	(53)
Extracurricular	-	-	-	277,813	273,897	(3,916)
Other local revenues	38,992	39,452	460	12,005	11,836	(169)
Intergovernmental - State	4,737,989	4,794,109	56,120	106,282	104,784	(1,498)
Intergovernmental - Federal	21,661	21,918	257	332,737	328,047	(4,690)
Total revenues	<u>7,632,052</u>	<u>7,722,450</u>	<u>90,398</u>	<u>768,636</u>	<u>757,802</u>	<u>(10,834)</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,813,444	3,728,974	84,470	238,522	223,547	14,975
Special	837,945	775,511	62,434	200,657	164,714	35,943
Vocational	262,654	255,500	7,154	-	-	-
Other	171,735	166,763	4,972	1,214	651	563
Support services:						
Pupil	311,846	295,841	16,005	5,920	5,920	-
Instructional staff	352,505	308,004	44,501	176,194	159,122	17,072
Board of Education	13,155	12,499	656	-	-	-
Administration	707,104	689,409	17,695	12,948	11,957	991
Fiscal	197,608	193,237	4,371	8,159	6,451	1,708
Business	-	-	-	4,007	4,007	-
Operations and maintenance	809,844	790,396	19,448	76,211	73,127	3,084
Pupil transportation	505,653	445,365	60,288	-	-	-
Community services	280	280	-	4,952	1,158	3,794
Extracurricular activities	192,058	181,092	10,966	278,807	197,487	81,320
Facilities acquisition and construction	18,780	18,778	2	14,521	14,415	106
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,194,611</u>	<u>7,861,649</u>	<u>332,962</u>	<u>1,022,112</u>	<u>862,556</u>	<u>159,556</u>
Excess of revenues over (under) expenditures	<u>(562,559)</u>	<u>(139,199)</u>	<u>423,360</u>	<u>(253,476)</u>	<u>(104,754)</u>	<u>148,722</u>
Other financing sources (uses):						
Advances out	(10,000)	-	10,000	-	-	-
Proceeds from sale of fixed assets	15,914	16,103	189	-	-	-
Refund of prior year expenditures	12,034	12,177	143	178	175	(3)
Total other financing sources (uses)	<u>17,948</u>	<u>28,280</u>	<u>10,332</u>	<u>178</u>	<u>175</u>	<u>(3)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(544,611)</u>	<u>(110,919)</u>	<u>433,692</u>	<u>(253,298)</u>	<u>(104,579)</u>	<u>148,719</u>
Fund balances, July 1	819,534	819,534	-	341,866	341,866	-
Prior year encumbrances appropriated	96,043	96,043	-	31,226	31,226	-
Fund balances, June 30	<u>\$ 370,966</u>	<u>\$ 804,658</u>	<u>\$ 433,692</u>	<u>\$ 119,794</u>	<u>\$ 268,513</u>	<u>\$ 148,719</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 232,689	\$ 234,456	\$ 1,767	\$ -	\$ -	\$ -	\$ 2,714,790	\$ 2,745,022	\$ 30,232
-	-	-	-	-	-	331,302	335,226	3,924
-	-	-	6,810	24,516	17,706	66,616	84,933	18,317
-	-	-	-	-	-	277,813	273,897	(3,916)
-	-	-	-	-	-	50,997	51,288	291
31,626	31,866	240	35,789	128,836	93,047	4,911,686	5,059,595	147,909
-	-	-	-	-	-	354,398	349,965	(4,433)
<u>264,315</u>	<u>266,322</u>	<u>2,007</u>	<u>42,599</u>	<u>153,352</u>	<u>110,753</u>	<u>8,707,602</u>	<u>8,899,926</u>	<u>192,324</u>
-	-	-	18,846	18,846	-	4,070,812	3,971,367	99,445
-	-	-	-	-	-	1,038,602	940,225	98,377
-	-	-	-	-	-	262,654	255,500	7,154
-	-	-	-	-	-	172,949	167,414	5,535
-	-	-	-	-	-	317,766	301,761	16,005
-	-	-	-	-	-	528,699	467,126	61,573
-	-	-	-	-	-	13,155	12,499	656
5,815	5,389	426	-	-	-	725,867	706,755	19,112
-	-	-	-	-	-	205,767	199,688	6,079
-	-	-	-	-	-	4,007	4,007	-
-	-	-	-	-	-	886,055	863,523	22,532
-	-	-	-	-	-	505,653	445,365	60,288
-	-	-	-	-	-	5,232	1,438	3,794
-	-	-	-	-	-	470,865	378,579	92,286
-	-	-	2,109,265	1,498,521	610,744	2,142,566	1,531,714	610,852
102,000	102,000	-	-	-	-	102,000	102,000	-
150,300	150,284	16	-	-	-	150,300	150,284	16
<u>258,115</u>	<u>257,673</u>	<u>442</u>	<u>2,128,111</u>	<u>1,517,367</u>	<u>610,744</u>	<u>11,602,949</u>	<u>10,499,245</u>	<u>1,103,704</u>
<u>6,200</u>	<u>8,649</u>	<u>2,449</u>	<u>(2,085,512)</u>	<u>(1,364,015)</u>	<u>721,497</u>	<u>(2,895,347)</u>	<u>(1,599,319)</u>	<u>1,296,028</u>
-	-	-	-	-	-	(10,000)	-	10,000
-	-	-	-	-	-	15,914	16,103	189
-	-	-	1,074	3,865	2,791	13,286	16,217	2,931
-	-	-	1,074	3,865	2,791	19,200	32,320	13,120
6,200	8,649	2,449	(2,084,438)	(1,360,150)	724,288	(2,876,147)	(1,566,999)	1,309,148
249,005	249,005	-	1,139,738	1,139,738	-	2,550,143	2,550,143	-
-	-	-	944,700	944,700	-	1,071,969	1,071,969	-
<u>\$ 255,205</u>	<u>\$ 257,654</u>	<u>\$ 2,449</u>	<u>\$ -</u>	<u>\$ 724,288</u>	<u>\$ 724,288</u>	<u>\$ 745,965</u>	<u>\$ 2,055,113</u>	<u>\$ 1,309,148</u>

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Sales/charges for services	\$ 250,561	\$ -	\$ 250,561
Donations	-	35,000	35,000
Investment earnings	-	8,192	8,192
	<u>250,561</u>	<u>43,192</u>	<u>293,753</u>
Total operating revenues			
Operating expenses:			
Personal services	193,069	-	193,069
Contract services	4,331	-	4,331
Materials and supplies	138,884	-	138,884
Depreciation	13,674	-	13,674
Other	-	13,236	13,236
	<u>349,958</u>	<u>13,236</u>	<u>363,194</u>
Total operating expenses			
Operating income (loss)	<u>(99,397)</u>	<u>29,956</u>	<u>(69,441)</u>
Nonoperating revenues:			
Grants and subsidies	90,092	-	90,092
Federal commodities	33,662	-	33,662
Interest revenue	374	-	374
	<u>124,128</u>	<u>-</u>	<u>124,128</u>
Total nonoperating revenues			
Net income	24,731	29,956	54,687
Retained earnings/fund balance, July 1 (restated)	<u>122,142</u>	<u>291,474</u>	<u>413,616</u>
Retained earnings/fund balance, June 30	<u>\$ 146,873</u>	<u>\$ 321,430</u>	<u>\$ 468,303</u>

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

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 250,561	\$ -	\$ 250,561
Cash received from donations	-	35,000	35,000
Cash payments for personal services	(198,238)	-	(198,238)
Cash payments for contract services	(4,332)	-	(4,332)
Cash payments for materials and supplies	(120,077)	-	(120,077)
Cash payments for other expenses	-	(13,236)	(13,236)
	(72,086)	21,764	(50,322)
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	101,834	-	101,834
	101,834	-	101,834
Cash flows from investing activities:			
Interest received	374	9,377	9,751
	374	9,377	9,751
Net increase in cash and cash equivalents	30,122	31,141	61,263
Cash and cash equivalents at beginning of year	21,434	290,164	311,598
Cash and cash equivalents at end of year	\$ 51,556	\$ 321,305	\$ 372,861
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (99,397)	\$ 29,956	\$ (69,441)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	13,674	-	13,674
Federal donated commodities	33,662	-	33,662
Interest reported as operating income	-	(8,192)	(8,192)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(8,467)	-	(8,467)
Increase in accounts payable	265	-	265
Decrease in accrued wages and benefits	(4,478)	-	(4,478)
Decrease in compensated absences payable	(1,514)	-	(1,514)
Decrease in due to other governments payable	(216)	-	(216)
Increase in pension obligation payable	1,039	-	1,039
Decrease in deferred revenue	(6,654)	-	(6,654)
	(72,086)	21,764	(50,322)
Net cash provided by (used in) operating activities	\$ (72,086)	\$ 21,764	\$ (50,322)

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

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 48 non-certified and 80 certified (including administrative) full-time and part-time employees to provide services to approximately 1,169 students in grades K through 12 and various community groups, which ranks it 460th out of 740 public and community school districts in Ohio, and 5th largest of 7 districts in Huron County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

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

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

A. The Reporting Entity

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located.

Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035.

Huron-Erie School Employees Insurance Association

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

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

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

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

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 in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.C. for further information on this group rating plan.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON 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 expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON 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 FUNDS

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

ACCOUNT GROUPS

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

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON 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 and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 (see Note 5). Revenue from income taxes is recognized in the fiscal year the underlying exchange transaction occurs (see Note 6). 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.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

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 or income taxes.

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

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

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, for all funds (except Agency) which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.

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

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

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

E. Cash and Investments

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

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

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

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

During fiscal year 2003, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. The investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

By policy of the Board of Education, investment earnings are assigned to the general fund, the Project Construction capital projects fund, the expendable trust fund, the Food Service, Summer School and Adult Education enterprise funds, the Public School Support and District Managed Student Activities special revenue funds, the non-expendable trust fund and the Student-Managed Activity agency fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$35,763, which includes \$18,659 assigned from other District funds.

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

F. Inventory

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON 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

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	8 - 20

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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON 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 Statement No. 16 of the Governmental Accounting Standards Board (GASB), "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all non-certified personnel employed at June 30, 2003, and all certified personnel employed at the District for 10 years or more as of June 30, 2003, were expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

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

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

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

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

J. 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 fiscal year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal 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 \$64,979.

K. Fund Equity

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

L. 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 17 for detail of statutory reserves.

M. Memorandum Only - Total Columns

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

During fiscal year 2003, a reappraisal of the District's fixed assets was performed. Due to variances between the reappraisal balances and amounts previously reported as fixed assets, prior period adjustments are required to restate the general fixed asset account group and the fixed assets, accumulated depreciation and retained earnings in the Food Service enterprise fund. The appraisal had the following effects on prior period balances:

1. General Fixed Asset Account Group

	<u>Balance</u> <u>June 30, 2002</u>	<u>Restatement</u>	<u>Restated</u> <u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 2,262,231	\$ (528,578)	\$ 1,733,653
Buildings/improvements	17,546,729	(781,592)	16,765,137
Equipment/vehicles	<u>3,226,356</u>	<u>(1,005,834)</u>	<u>2,220,522</u>
Total	<u>\$23,035,316</u>	<u>\$(2,316,004)</u>	<u>\$20,719,312</u>

2. Enterprise - Food Service

<u>Enterprise</u>	<u>Fixed</u> <u>Assets</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Retained</u> <u>Earnings</u>
Previously reported June 30, 2002	\$ 480,375	\$ 61,752	\$ 342,779
Restatement for appraisal	<u>(247,884)</u>	<u>(27,247)</u>	<u>(220,637)</u>
Restatement as of July 1, 2002	<u>\$ 232,491</u>	<u>\$ 34,505</u>	<u>\$ 122,142</u>

B. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2003 included the following fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Fund</u>	
Disadvantaged Pupil Impact Aid	\$200
Title VI	501
Miscellaneous Federal Grants	14

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law, which does not allow a cash deficit at year-end.

The deficit fund balances in the Disadvantaged Pupil Impact Aid, Title VI and Miscellaneous Federal Grants special revenue funds are a result of accruing wage obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

C. Agency Funds

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

LIABILITIES

Accounts payable	\$871
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NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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.

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
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;

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

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

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

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$1,004,941 and the bank balance, including non-negotiable certificates of deposit, was \$1,131,069. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$931,069 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	<u>\$1,741,099</u>	<u>\$1,741,099</u>
Total investments	<u>\$1,741,099</u>	<u>\$1,741,099</u>

Cash in Segregated Accounts: The District reports cash for retainage accounts as "Cash in Segregated Accounts". These accounts are regular checking accounts and are not included as part of the District's cash management pool.

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,746,040	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(1,741,099)</u>	<u>1,741,099</u>
GASB Statement No. 3	<u>\$ 1,004,941</u>	<u>\$1,741,099</u>

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

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

NOTE 5 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying percentages of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are assessed at 25% of true value.

The assessed value upon which the 2002 taxes were collected was \$80,559,700. Agricultural/residential and public utility/minerals real estate represented 80.30% or \$64,687,960 of this total; Commercial & industrial real estate represented 8.47% or \$6,820,710 of this total, public utility tangible represented 6.28% or \$5,062,470 of this total and general tangible property represented 4.95% or \$3,988,560 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$31.80 per \$1,000.00 of assessed valuation for operations and \$3.80 per \$1,000.00 of assessed valuation for debt service.

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

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

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

NOTE 5 - PROPERTY TAXES - (Continued)

The Ashland, Lorain and Huron County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District their portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$200,747 in the general fund, \$29,410 in the debt service fund and \$4,427 in the Classroom Facilities Maintenance special revenue fund.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, 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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual 1% school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2003, was \$803,331.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

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

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

NOTE 7 - RECEIVABLES - (Continued)

A summary of the items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$1,750,881
Taxes: School district income tax	287,464
Accounts	493
Accrued interest	9,969
 <u>Special Revenue Funds</u>	
Taxes - current & delinquent	37,467
Accounts	594
Due from other governments	17,830
 <u>Debt Service Fund</u>	
Taxes - current & delinquent	249,004

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

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

	(Restated) Balance <u>July 1, 2002</u>	<u>Increase</u>	<u>Deletions</u>	Balance <u>June 30, 2003</u>
Land/improvements	\$ 1,733,653	\$ 8,600	\$ -	\$ 1,742,253
Buildings/improvements	16,765,137	77,616	-	16,842,753
Equipment and vehicles	<u>2,220,522</u>	<u>103,397</u>	<u>(14,286)</u>	<u>2,309,633</u>
 Total	 <u>\$20,719,312</u>	 <u>\$189,613</u>	 <u>\$(14,286)</u>	 <u>\$20,894,639</u>

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

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

NOTE 8 - FIXED ASSETS - (Continued)

B. Proprietary Fixed Assets

A summary of the proprietary fixed assets at June 30, 2003, follows:

Furniture and equipment	\$232,491
Less: accumulated depreciation	<u>(48,179)</u>
Net fixed assets	<u>\$184,312</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District has entered into a capitalized lease for the acquisition of copiers. The term of the lease provides an option to purchase the equipment. This meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The new lease transaction has been accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$46,403, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2003 fiscal year totaled \$7,931. This amount is reflected as debt service principal retirement in the general fund.

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

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

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2003:

<u>Year Ending</u> <u>June 30</u>	<u>Copiers</u>
2004	\$13,531
2005	13,531
2006	<u>11,276</u>
Total future minimum lease payments	38,338
Less: amount representing interest	<u>(7,660)</u>
Present value of future minimum lease payments	<u>\$30,678</u>

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

NOTE 10 - LONG-TERM OBLIGATIONS

1. On October 1, 1999, the District issued \$3,250,673 in general obligation bonds (Series 1999, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.80 (average) mill bonded debt tax levy.

In conjunction with the 3.80 mills which support the bond issue, the District also passed in fiscal 2000, a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the special revenue funds.

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of current interest bonds, par value \$2,130,000, serial bonds, par value \$855,000, and capital appreciation bonds, par value \$580,000. The capital appreciation bonds mature each December 1, 2008 through 2011, (effective interest 7.639%, 7.701%, 7.634%, and 7.639%, respectively) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$265,673. Total accreted interest of \$82,009 has been included in the general long-term obligations account group at June 30, 2003. The current interest bonds maturing on or after December 1, 2008 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

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

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

- B.** In 1986 and in 1995 the District received loans from the U.S. Environmental Protection Agency for an asbestos abatement project. These loans are interest free provided the District remains current on repayment. These loans are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. The outstanding balance of the loans is reported in the general long-term obligations account group. Payments are recorded as expenditures of the debt service fund; current operating revenues provide the source for repayment.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<u>General Obligation Bonds:</u>				
Series 1999, improvement 5.25%, 12/01/22 maturity	\$2,855,000	\$ -	\$(95,000)	\$2,760,000
Series 1999, improvement capital appreciation bonds 7.639% to 7.701% (average effective) 12/01/08, 09, 10, & 11 maturity	265,673	-	-	265,673
Series 1999, improvement capital appreciation bonds accrued interest	<u>57,314</u>	<u>24,695</u>	<u>-</u>	<u>82,009</u>
Total, general obligation bonds	<u>3,177,987</u>	<u>24,695</u>	<u>(95,000)</u>	<u>3,107,682</u>
<u>General Obligation Loans:</u>				
Asbestos abatement, 1989 0%, 05/30/08 maturity	12,010	-	(2,000)	10,010
Asbestos abatement, 1995 0%, 05/31/08 maturity	<u>29,220</u>	<u>-</u>	<u>(5,000)</u>	<u>24,220</u>
Total, general obligation loans	<u>41,230</u>	<u>-</u>	<u>(7,000)</u>	<u>34,230</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<u>Other Obligations:</u>				
Compensated absences	\$ 543,568	\$ 77,462	\$ (80,369)	\$ 540,661
Pension benefit obligation	48,708	61,295	(48,708)	61,295
Capital lease	<u>38,609</u>	<u>-</u>	<u>(7,931)</u>	<u>30,678</u>
Total, other obligations	<u>630,885</u>	<u>138,757</u>	<u>(137,008)</u>	<u>632,634</u>
Total, all general long-term liabilities	<u>\$3,850,102</u>	<u>\$163,452</u>	<u>\$(239,008)</u>	<u>\$3,774,546</u>

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

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>General</u> <u>Obligation</u> <u>Term Bonds</u>	<u>Capital</u> <u>Appreciation</u> <u>General Obligation</u> <u>Bonds</u>	<u>Asbestos</u> <u>Removal</u> <u>Loans</u>	<u>Total</u>
2004	\$ 255,845	\$ -	\$ 7,000	\$ 262,845
2005	255,837	-	7,000	262,837
2006	265,260	-	7,000	272,260
2007	264,098	-	7,000	271,098
2008	262,566	145,000	6,230	413,796
2009 - 2013	260,325	435,000	-	695,325
2014 - 2018	1,301,420	-	-	1,301,420
2019 - 2023	<u>1,298,149</u>	<u>-</u>	<u>-</u>	<u>1,298,149</u>
Total obligation	4,163,500	580,000	34,230	4,777,730
Less: interest	<u>(1,403,500)</u>	<u>(232,318)</u>	<u>-</u>	<u>(1,635,818)</u>
Total principal	<u>\$ 2,760,000</u>	<u>\$ 347,682</u>	<u>\$34,230</u>	<u>\$ 3,141,912</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2003 are a voted debt margin of \$4,429,755 (including available funds of \$287,064) and an unvoted debt margin of \$80,560.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Indiana Insurance Company, which includes boiler coverage. The deductible is \$500 per incident. All vehicles are insured with Ohio School Plan and have a \$1,000 comprehensive deductible for collision and comprehensive bus coverage and a \$250 comprehensive deductible for automobiles and a \$500 collision deductible for automobiles. All board members, administrators and employees are covered under a school district liability policy with Ohio School Plan. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 aggregate. Settled claims have not exceeded these commercial insurance coverages in any of the past three years. The District liability policy decreased coverage amounts from \$2,000,000 per occurrence in 2002 to \$1,000,000 per occurrence in the current year, and \$5,000,000 aggregate in 2002 to \$3,000,000 in the current year.

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Dishonesty Bonds

The board president is covered with a surety bond for \$20,000 through the OSBA Board Program. The superintendent and the treasurer are covered by a \$20,000 and a \$100,000 surety bond respectively. The student activity clerk/treasurer's secretary is also covered by a surety bond in the amount of \$10,000. These bonds are all with the Western Surety Company. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$10,000. This coverage is provided by the State Auto Insurance Company. Settled claims have not exceeded these commercial insurance coverages in any of the past three years. There have been no significant reductions in coverage from 2002.

C. 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 (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

D. Huron-Erie School Employees Insurance Association

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

**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

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

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food services, summer school, and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	<u>Food Services</u>	<u>Summer School</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$250,561	\$ -	\$ -	\$250,561
Operating expenses before depreciation	335,663	621	-	336,284
Depreciation	13,674	-	-	13,674
Operating loss	(98,776)	(621)	-	(99,397)
Grants and subsidies	90,092	-	-	90,092
Federal commodities	33,662	-	-	33,662
Net income/(loss)	25,319	(595)	7	24,731
Net working capital	43,290	1,343	560	45,193
Total assets	252,539	1,426	560	254,525
Total liabilities	42,590	83	-	42,673
Total retained earnings	144,970	1,343	560	146,873
Contributed capital	64,979	-	-	64,979
Total fund equity	209,949	1,343	560	211,852
Encumbrances at June 30, 2003	965	100	-	1,065

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. 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 \$139,507, \$126,028, and \$189,424, respectively; 43.64% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$78,624, represents the unpaid contribution for fiscal year 2003.

**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

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

New 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary 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 \$536,581, \$528,902, and \$613,556, respectively; 84.18% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$84,898, 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 Social Security or the 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% of wages paid.

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% 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 \$38,327 during fiscal 2003.

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 \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 \$73,581 during the 2003 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(110,919)	\$(104,579)	\$ 8,649	\$(1,360,150)
Net adjustment for revenue accruals	(37,926)	(6,529)	1,930	(86,765)
Net adjustment for expenditure accruals	61,050	(21,249)	-	447,256
Net adjustment for other financing sources/(uses)	(12,176)	(175)	-	(3,865)
Adjustment for encumbrances	<u>135,615</u>	<u>40,719</u>	<u>-</u>	<u>70,859</u>
GAAP basis	<u>\$ 35,644</u>	<u>\$ (91,813)</u>	<u>\$10,579</u>	<u>\$ (932,665)</u>

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

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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.

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

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

NOTE 17 - STATUTORY RESERVES

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

	<u>Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside cash balance as of July 1, 2002	\$ (39,796)	\$(111,261)
Current year set-aside requirement	152,132	152,132
Current year offsets	-	(42,008)
Qualifying disbursements	<u>(122,027)</u>	<u>(90,139)</u>
Total	<u>\$ (9,691)</u>	<u>\$ (91,276)</u>
Cash balance carried forward to FY 2004	<u>\$ (9,691)</u>	<u>\$ (91,276)</u>

The District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero in the textbook and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements of future years.

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

Amount restricted for bus purchases	<u>\$19,509</u>
Total restricted assets	<u>\$19,509</u>

SUPPLEMENTAL DATA

**NEW LONDON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 33,662	\$ -	\$ 33,662
(A), (C) School Breakfast Program	10.553	047720-05-PU-2002	2,735		2,735	
(A), (C) School Breakfast Program	10.553	047720-05-PU-2003	9,696		9,696	
(A), (C) National School Lunch	10.555	047720-LL-P4-2002	10,107		10,107	
(A), (C) National School Lunch	10.555	047720-LL-P4-2002	9,275		9,275	
(A), (C) National School Lunch	10.555	047720-LL-P4-2003	65,700		65,700	
Total U.S. Department of Agriculture and Nutrition Cluste			<u>97,513</u>	<u>33,662</u>	<u>97,513</u>	<u>33,662</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies:	84.010	047720-C1-S1-2002	(8,899)		18,402	
Title I - Grants to Local Educational Agencies:	84.010	047720-C1-S1-2003	149,615		115,540	
Total Title I			<u>140,716</u>		<u>133,942</u>	
Title VI-B - Education of the Handicapped Ac	84.027	047720-6B-SF-2002-P	9,775		34,412	
Title VI-B - Education of the Handicapped Ac	84.027	047720-6B-SF-2003-P	99,937		98,352	
Total Title VI-B			<u>109,712</u>		<u>132,764</u>	
(E) Federal Perkins Loan Program	84.038	N/A	21,918		11,750	
Safe and Drug-Free Schools	84.186	047720-DR-S1-2002	3,588		4,600	
Safe and Drug-Free Schools	84.186	047720-DR-S1-2003	5,620		1,320	
Total Safe and Drug-Free Schools			<u>9,208</u>		<u>5,920</u>	
Goals 2000	84.276	047720-G2-S2-2000	-		638	
Goals 2000	84.276	047720-G2-S1-2001	-		6,050	
Goals 2000	84.276	047720-G2-S2-2001	-		968	
Total Goals 2000			<u>-</u>		<u>7,656</u>	
Eisenhower Professional Development	84.281	047720-MS-S1-2002	649		4,647	
Title VI - Innovative Educational Program Strategie:	84.298	047720-C2-S1-2002	-		1,862	
Title VI - Innovative Educational Program Strategie:	84.298	047720-C2-S1-2003	5,786		100	
Total Title VI			<u>5,786</u>		<u>1,962</u>	
Technology Literacy Challenge	84.318	047720-TJ-S1-2003	3,687		3,687	
Title VI-R - Class Size Reduction	84.340	047720-CR-S1-2002	2,523		6,390	
School Renovation, IDEA and Technolog:	84.352A	047720-AT-S2-2002	2,768		2,768	
Improving Teacher Quality	84.367	047720-TR-S1-2003	52,998		48,283	
Total U.S. Department of Education			<u>349,965</u>		<u>359,769</u>	
Total Federal Financial Assistance			<u>\$ 447,478</u>	<u>\$ 33,662</u>	<u>\$ 457,282</u>	<u>\$ 33,662</u>

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

- (D) This schedule was prepared on the cash basis of accounting.
 (E) Passed through EHOVE Career Center.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the general purpose financial statements of New London Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. The District obtained a fixed asset appraisal for the fiscal year ended June 30, 2003, this resulted in a restatement of fixed assets and retained earnings. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New London Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Board of Education
New London Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of New London Local School District in a separate letter dated December 9, 2003.

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

Trimble, Julian & Grube, Inc.
December 9, 2003

TRIMBLE, JULIAN & GRUBE, INC.

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

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

Compliance

We have audited the compliance of New London Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. The District obtained a fixed asset appraisal for the fiscal year ended June 30, 2003, this resulted in a restatement of fixed assets and retained earnings. New London Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of New London Local School District's management. Our responsibility is to express an opinion on New London Local School District's compliance based on our audit.

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

Board of Education
New London Local School District

In our opinion, New London Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
December 9, 2003

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
JUNE 30, 2003**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title VI-B; CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
JUNE 30, 2003**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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NEW LONDON LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2004**