

NEW LEXINGTON CITY SCHOOL DISTRICT

SOUTHEAST REGION, PERRY COUNTY

SINGLE AUDIT

July 1, 2000 – June 30, 2001

FISCAL YEAR AUDITED UNDER GAGAS: 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
New Lexington City School District
310-312 First Street
New Lexington, Ohio 43764

We have reviewed the independent auditor's report of the New Lexington City School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 31, 2002

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New Lexington City School District
Perry County

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Board of Education
New Lexington City School District
310-312 First Street
New Lexington, Ohio 43764

Independent Auditors' Report

We have audited the accompanying general-purpose financial statements of New Lexington City School District, Perry County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

As discussed in Note C, certain changes in accounting policies and financial reporting practices were made to present the financial statements in conformity with accounting principles generally accepted in the United States of America. Such changes were adopted effective July 1, 2000 and to implement those changes, adjustments were made to restate fund balances as of that date.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures 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.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 14, 2001

**New Lexington City School District
Perry County**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,136,795	\$ 482,708	\$ 71,793	\$ 13,299,634
Receivables:				
Taxes - current	1,714,039	37,938	268,139	-
Taxes - delinquent	464,444	9,943	70,838	-
Accounts	-	4,404	-	1,368
Accrued interest	3,619	-	-	23,081
Intergovernmental - State	-	49,391	-	-
Restricted Assets:				
Cash and Cash Equivalents	191,000	-	-	-
Prepayments	1,209	-	-	-
Due from other funds	236,399	-	-	-
Materials and supplies inventory	-	-	-	-
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	\$ 3,747,505	\$ 584,384	\$ 410,770	\$ 13,324,083
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 34,564	\$ 37,820	\$ -	\$ 47,232
Contracts payable	-	-	-	1,708,801
Accrued wages and benefits	969,322	114,729	-	-
Compensated absences payable	48,989	-	-	-
Intergovernmental payable	155,305	8,619	-	-
Due to students	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Deferred revenue - taxes	1,260,222	32,194	227,071	-
Obligation under capital leases	-	-	-	-
Claims payable	-	-	-	-
Energy Conservation loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total Liabilities	2,468,402	193,362	227,071	1,756,033
Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings (deficit):				
Unreserved (deficit)	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	417,692	83,642	-	9,760,953
Reserved for Prepaid Items	1,209	-	-	-
Reserved for Debt Service Principal	-	-	-	-
Reserved for Future Appropriations	918,261	15,688	111,906	-
Reserved for Advances	236,399	-	-	-
Reserved - Other	191,000	-	-	-
Unreserved:				
Undesignated	(485,458)	291,692	71,793	1,807,097
Total Fund Equity and Other Credits	1,279,103	391,022	183,699	11,568,050
Total Liabilities, Fund Equity and Other Credits	\$ 3,747,505	\$ 584,384	\$ 410,770	\$ 13,324,083

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		(Memorandum Only)
Enterprise	Internal Service	Trust and Agency	Fixed Assets	Long-Term Obligations	
\$ 4,465	\$ 232,834	\$ 47,154	\$ -	\$ -	\$ 15,275,383
-	-	-	-	-	2,020,116
-	-	-	-	-	545,225
-	-	-	-	-	5,772
-	-	-	-	-	26,700
-	-	-	-	-	49,391
-	-	-	-	-	191,000
-	-	-	-	-	1,209
-	-	-	-	-	236,399
16,726	-	-	-	-	16,726
72,517	-	-	30,061,239	-	30,133,756
-	-	-	-	71,793	71,793
-	-	-	-	4,572,321	4,572,321
<u>\$ 93,708</u>	<u>\$ 232,834</u>	<u>\$ 47,154</u>	<u>\$ 30,061,239</u>	<u>\$ 4,644,114</u>	<u>\$ 53,145,791</u>
\$ 3,348	\$ 174	\$ 600	\$ -	\$ -	\$ 123,738
-	-	-	-	-	1,708,801
40,813	-	-	-	-	1,124,864
15,131	-	-	-	610,231	674,351
26,450	-	-	-	87,551	277,925
-	-	40,586	-	-	40,586
236,399	-	-	-	-	236,399
3,729	-	-	-	-	3,729
-	-	-	-	-	1,519,487
2,505	-	-	-	142,798	145,303
-	337,128	-	-	-	337,128
-	-	-	-	228,534	228,534
-	-	-	-	3,575,000	3,575,000
<u>328,375</u>	<u>337,302</u>	<u>41,186</u>	<u>-</u>	<u>4,644,114</u>	<u>9,995,845</u>
-	-	-	30,061,239	-	30,061,239
(234,667)	(104,468)	-	-	-	(339,135)
-	-	863	-	-	10,263,150
-	-	-	-	-	1,209
-	-	-	-	-	-
-	-	-	-	-	1,045,855
-	-	-	-	-	236,399
-	-	-	-	-	191,000
-	-	5,105	-	-	1,690,229
<u>(234,667)</u>	<u>(104,468)</u>	<u>5,968</u>	<u>30,061,239</u>	<u>-</u>	<u>43,149,946</u>
<u>\$ 93,708</u>	<u>\$ 232,834</u>	<u>\$ 47,154</u>	<u>\$ 30,061,239</u>	<u>\$ 4,644,114</u>	<u>\$ 53,145,791</u>

New Lexington City School District
Perry County

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$ 2,069,845	\$ 45,032
Tuition and fees	31,041	-
Earnings on investments	118,271	333
Other local revenues	57,725	154,314
Extracurricular revenue	-	60,076
Intergovernmental	8,139,877	1,295,752
Total revenues	10,416,759	1,555,507
Expenditures:		
Instruction:		
Regular	4,591,617	298,506
Special	907,737	486,578
Vocational	498,481	40,205
Other	85,270	-
Support Services:		
Pupil	273,852	193,558
Instructional staff	224,483	78,190
General administration	370,497	2,413
School administration	1,014,065	129,514
Fiscal	240,106	8,042
Business	22,962	42,267
Operations and maintenance	965,357	-
Pupil transportation	875,373	-
Central	69,474	-
Extracurricular activities	180,005	99,192
Capital outlay	-	-
Non-instructional services	1,588	97,683
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	10,320,867	1,476,148
Excess (deficiency) of revenues over (under) expenditures	95,892	79,359
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers (out)	(54,931)	-
Refund of prior year expenditures	59,871	142
Total other financing sources (uses)	4,940	142
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	100,832	79,501
Fund balance at Beginning of Year	1,178,271	311,521
Fund balance at End of Year	\$ 1,279,103	\$ 391,022

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 320,598	\$ -	\$ -	\$	2,435,475
-	-	-		31,041
	498,229			616,833
-	2,140	22,724		236,903
19,133	-	-		79,209
-	19,069,023	-		28,504,652
<u>339,731</u>	<u>19,569,392</u>	<u>22,724</u>		<u>31,904,113</u>
-	108,869	-		4,998,992
-	-	-		1,394,315
-	-	-		538,686
-	-	-		85,270
-	-	-		467,410
-	20,803	-		323,476
-	-	-		372,910
-	-	-		1,143,579
10,318	-	-		258,466
-	-	20,842		86,071
-	-	-		965,357
-	30,210	-		905,583
-	9,855	-		79,329
-	-	-		279,197
-	16,880,682	-		16,880,682
-	-	-		99,271
163,604	-	-		163,604
<u>206,278</u>	<u>-</u>	<u>-</u>		<u>206,278</u>
<u>380,200</u>	<u>17,050,419</u>	<u>20,842</u>		<u>29,248,476</u>
<u>(40,469)</u>	<u>2,518,973</u>	<u>1,882</u>		<u>2,655,637</u>
54,931	-	-		54,931
-	-	-		(54,931)
-	500	-		60,513
<u>54,931</u>	<u>500</u>	<u>-</u>		<u>60,513</u>
14,462	2,519,473	1,882		2,716,150
<u>169,237</u>	<u>9,048,577</u>	<u>4,086</u>		<u>10,711,692</u>
<u>\$ 183,699</u>	<u>\$ 11,568,050</u>	<u>\$ 5,968</u>	<u>\$</u>	<u>13,427,842</u>

New Lexington City School District
Perry County

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:	\$ 2,007,000	\$ 2,026,119	\$ 19,119
Taxes	34,400	31,041	(3,359)
Tuition	95,000	118,917	23,917
Earnings on investments	42,400	62,073	19,673
Other local revenues	-	-	-
Extracurricular revenue	8,163,303	8,153,255	(10,048)
Total Revenues	10,342,103	10,391,405	49,302
Expenditures:			
Instruction:			
Regular	4,622,873	4,535,135	87,738
Special	917,992	896,573	21,419
Vocational	496,199	491,210	4,989
Other	93,646	86,802	6,844
Support services:			
Pupil	335,668	316,868	18,800
Instructional staff	263,052	250,942	12,110
General administration	376,048	370,497	5,551
School administration	1,095,978	1,065,143	30,835
Fiscal	253,757	251,791	1,966
Business	27,245	27,132	113
Operations and maintenance	1,068,101	1,019,898	48,203
Pupil transportation	998,294	985,289	13,005
Central	68,103	66,885	1,218
Extracurricular activities	180,071	173,716	6,355
Capital outlay	-	-	-
Non-instructional services	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	10,797,027	10,537,881	259,146
Excess (deficiency) of revenues over (under) expenditures	(454,924)	(146,476)	308,448
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers (out)	(54,931)	(54,931)	-
Advances in	26,442	26,442	-
Advances (out)	(45,560)	(45,553)	7
Refund of prior years expense	52,987	59,872	6,885
Total other financing sources (uses)	(21,062)	(14,170)	6,892
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(475,986)	(160,646)	315,340
Fund balance at Beginning of Year	695,346	695,346	-
Prior year encumbrances appropriated	375,425	375,425	-
Fund balance at End of Year	\$ 594,785	\$ 910,125	\$ 315,340

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ 44,285	\$ 44,285	\$ 362,932	\$ 315,269	\$ (47,663)
-	-	-	-	-	-
-	333	333	-	-	-
68,000	126,940	58,940	-	-	-
65,000	60,076	(4,924)	-	-	-
1,495,734	1,323,097	(172,637)	40,000	19,133	(20,867)
<u>1,628,734</u>	<u>1,554,731</u>	<u>(74,003)</u>	<u>402,932</u>	<u>334,402</u>	<u>(68,530)</u>
410,143	303,999	106,144	-	-	-
534,673	487,859	46,814	-	-	-
35,140	35,140	-	-	-	-
-	-	-	-	-	-
225,945	177,970	47,975	-	-	-
100,402	77,582	22,820	-	-	-
2,800	2,473	327	-	-	-
140,264	130,105	10,159	-	-	-
11,242	7,642	3,600	10,900	10,318	582
47,865	45,649	2,216	-	-	-
-	-	-	-	-	-
11,195	-	11,195	-	-	-
-	-	-	-	-	-
101,714	99,863	1,851	-	-	-
-	-	-	-	-	-
108,339	104,103	4,236	-	-	-
-	-	-	163,604	163,604	-
-	-	-	206,279	206,279	-
<u>1,729,722</u>	<u>1,472,385</u>	<u>257,337</u>	<u>380,783</u>	<u>380,201</u>	<u>582</u>
<u>(100,988)</u>	<u>82,346</u>	<u>183,334</u>	<u>22,149</u>	<u>(45,799)</u>	<u>(67,948)</u>
-	-	-	54,931	54,931	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,847)	(1,847)	-	-	-	-
-	142	142	-	-	-
<u>(1,847)</u>	<u>(1,705)</u>	<u>142</u>	<u>54,931</u>	<u>54,931</u>	<u>-</u>
(102,835)	80,641	183,476	77,080	9,132	(67,948)
238,181	238,181	-	62,659	62,659	-
80,242	80,242	-	-	-	-
<u>\$ 215,588</u>	<u>\$ 399,064</u>	<u>\$ 183,476</u>	<u>\$ 139,739</u>	<u>\$ 71,791</u>	<u>\$ (67,948)</u>

(Continued)

Governmental Fund Types			Totals (Memorandum Only)		
Capital Projects					
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,369,932	\$ 2,385,673	\$ 15,741
-	-	-	34,400	31,041	(3,359)
430,000	489,412	59,412	525,000	608,662	83,662
-	2,140	2,140	110,400	191,153	80,753
-	-	-	65,000	60,076	(4,924)
18,453,105	19,067,655	614,550	28,152,142	28,563,140	410,998
18,883,105	19,559,207	676,102	31,256,874	31,839,745	582,871
236,797	138,026	98,771	5,269,813	4,977,160	292,653
-	-	-	1,452,665	1,384,432	68,233
-	-	-	531,339	526,350	4,989
-	-	-	93,646	86,802	6,844
-	-	-	561,613	494,838	66,775
21,105	21,105	-	384,559	349,629	34,930
-	-	-	378,848	372,970	5,878
-	-	-	1,236,242	1,195,248	40,994
-	-	-	275,899	269,751	6,148
-	-	-	75,110	72,781	2,329
38,994	30,725	8,269	1,107,095	1,050,623	56,472
-	-	-	1,009,489	985,289	24,200
10,855	10,700	155	78,958	77,585	1,373
-	-	-	281,785	273,579	8,206
27,945,823	25,251,572	2,694,251	27,945,823	25,251,572	2,694,251
-	-	-	108,339	104,103	4,236
-	-	-	163,604	163,604	-
-	-	-	206,279	206,279	-
28,253,574	25,452,128	2,801,446	41,161,106	37,842,595	3,318,511
(9,370,469)	(5,892,921)	3,477,548	(9,904,232)	(6,002,850)	3,901,382
-	-	-	54,931	54,931	-
-	-	-	(54,931)	(54,931)	-
-	-	-	26,442	26,442	-
(24,595)	(24,595)	-	(72,002)	(71,995)	7
500	500	-	53,487	60,514	7,027
(24,095)	(24,095)	-	7,927	14,961	7,034
(9,394,564)	(5,917,016)	3,477,548	(9,896,305)	(5,987,889)	3,908,416
8,479,973	8,479,973	-	9,476,159	9,476,159	-
975,724	975,724	-	1,431,391	1,431,391	-
\$ 61,133	\$ 3,538,681	\$ 3,477,548	\$ 1,011,245	\$ 4,919,661	\$ 3,908,416

New Lexington City School District
Perry County

**Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended June 30, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services	\$ 282,550	\$ -	\$ 282,550
Other operating revenues	-	1,262,288	1,262,288
Total operating revenues	282,550	1,262,288	1,544,838
Operating expenses:			
Personal services	339,148	-	339,148
Contract services	13,184	1,244,118	1,257,302
Materials and supplies	370,017	-	370,017
Depreciation	9,600	-	9,600
Other operating expenses	1,119	-	1,119
Total operating expenses	733,068	1,244,118	1,977,186
Operating (Loss) Income	(450,518)	18,170	(432,348)
Nonoperating revenues and expenses:			
Operating grants	375,688	-	375,688
Refund of prior year expenses	-	807	807
	375,688	807	376,495
Net (loss) income	(74,830)	18,977	(55,853)
Retained earnings (deficit) at Beginning of Year	(159,837)	(123,445)	(283,282)
Retained earnings (deficit) at End of Year	<u>\$ (234,667)</u>	<u>\$ (104,468)</u>	<u>\$ (339,135)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**New Lexington City School District
Perry County**

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Increase in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash received from sales/service charges	\$ 279,733	\$ -	\$ 279,733
Cash received from other operations	-	1,262,288	1,262,288
Cash payments for personal services	(319,159)	-	(319,159)
Cash payments for contract services	(13,184)	(1,218,365)	(1,231,549)
Cash payments for supplies and materials	(365,339)	-	(365,339)
Cash payments for other expenses	(1,119)	-	(1,119)
Net cash (used for) provided by operating activities	<u>(419,068)</u>	<u>43,923</u>	<u>(375,145)</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from operating grants	375,688	-	375,688
Advances	61,445	-	61,445
Miscellaneous refunds	-	807	807
Net cash provided by noncapital financing activities	<u>437,133</u>	<u>807</u>	<u>437,940</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(14,849)	-	(14,849)
Capital lease obligations	(2,428)	-	(2,428)
Net cash (used for) capital and related financing activities	<u>(17,277)</u>	<u>-</u>	<u>(17,277)</u>
Cash Flows from Investing Activities:			
Net increase in cash and cash equivalents	788	44,730	45,518
Cash and cash equivalents at beginning of year	3,677	188,104	191,781
Cash and Cash Equivalents at End of Year	<u>\$ 4,465</u>	<u>\$ 232,834</u>	<u>\$ 237,299</u>
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:			
Operating (loss) income	\$ (450,518)	\$ 18,170	\$ (432,348)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	9,600	-	9,600
Changes in assets and liabilities:			
Supplies inventory	3,746	-	3,746
Accounts payable	1,648	-	1,648
Accrued liabilities	19,273	25,753	45,026
Deferred revenue	(2,817)	-	(2,817)
Net cash provided by (used for) operating activities	<u>\$ (419,068)</u>	<u>\$ 43,923</u>	<u>\$ (375,145)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The New Lexington City School District is a political subdivision established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000 was 1,976. The District employed 140 certificated employees and 72 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

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 are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New Lexington City School District, this includes general operations and student related activities of the School District.

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

The School District is associated with several organizations, which are defined as jointly governed organizations. These organizations include the Southern Ohio Voluntary Education Cooperative, Tri County Joint Vocational School, Southeastern Ohio Special Education Regional Resource Center and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes P and Q to the general-purpose financial statements.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION – FUND ACCOUNTING

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

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

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

GOVERNMENTAL FUND TYPES

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

General Fund

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special Revenue Funds

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 expenditure for specified purposes.

Debt Service Fund

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

Capital Projects Funds

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

Proprietary Fund Types

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

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

FIDUCIARY FUND TYPE

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ACCOUNT GROUPS

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances In and Advances Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. However, the District is permitted to budget advances and has historically included advances on the budgetary statements.

TAX BUDGET

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Perry County Budget Commission for rate determination.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ESTIMATED RESOURCES

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

APPROPRIATIONS

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The Treasurer allocates appropriations among functions and objects within a fund during the fiscal year.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for the governmental funds.

Lapsing of Appropriations

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

Cash and Cash Equivalents

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

During fiscal year 2001, investments were limited to STAR Ohio, and certificates of deposits.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool management 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 207 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues for the purchase of buses, and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note T for additional information regarding set-asides.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Inventory

Inventories of governmental funds are stated at cost on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds that indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure is reported in the year in which services are consumed.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$300. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

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

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement
- Telecommunications E-Rate

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Non-Reimbursable Grants

Special Revenue Funds

Eisenhower
Auxiliary Services
Education Management Information Systems
Career Development
Chapter 1
Chapter 2
Title VI
Title VI-B
Drug-Free Schools
Professional Development Block Grant
School Net Professional Development
Summer Net Professional Development
Ohio Reads

Capital Projects Funds

General Fund

School Net
School Net Plus

Grants and entitlements received in governmental funds amounted to 89 percent of the School District's governmental fund revenue during the 2001 fiscal year.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees after 11 years of service with the School District and for certified employees and administrators after 20 years of service.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Accrued Liabilities and Long-Term Obligations

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

Fund Balance Reserves

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

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

Fund Balance Designation

The School District has a fund balance designation on the balance sheet for additional money above the reserve for budget stabilization required by State statute.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Total Columns on General Purpose Financial Statements

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

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

For the year ended June 30, 2001, the School District has presented for the first time financial statements by fund type and account group in accordance with generally accepted accounting principles. This change required that certain adjustments be recorded to the July 1, 2000, fund balances as previously reported to reflect the prior year’s effect of adopting these new accounting principles.

The restatements to the opening fund balances were as follows:

<u>Fund Type/Fund</u>	<u>Previously Stated Balance June 30, 2000</u>	<u>Adjustments</u>	<u>Restated Balance July 1, 2000</u>
Governmental General	\$1,070,770	\$107,501	\$1,178,271
Special Revenue	318,424	(6,902)	311,522
Debt Service	62,658	106,579	169,237
Capital Projects	9,455,697	(407,120)	9,048,577
Proprietary Funds			
Enterprise	3,677	(163,514)	(159,837)
Internal Service	188,104	(311,549)	(123,445)
Fiduciary			
Expendable Trust	4,086	-	4,086
Agency	44,027	(44,027)	-

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE D – ACCOUNTABILITY AND COMPLIANCE

Accountability

No funds had a deficit fund balance as of June 30, 2001.

Compliance

The School District approves annual appropriations at the fund level. No funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code.

NOTE E – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE E – BUDGETARY BASIS OF ACCOUNTING – CONTINUED

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$(160,646)	\$ 80,641	\$ 9,132	\$(5,917,016)
Revenue Accruals	25,354	776	5,330	10,185
Expenditure Accruals	(200,678)	(87,405)	-	(1,359,244)
Other sources/uses	19,110	1,847	-	24,595
Encumbrances	<u>417,692</u>	<u>83,642</u>	<u>-</u>	<u>9,760,953</u>
GAAP Basis	<u>\$ 100,832</u>	<u>\$ 79,501</u>	<u>\$14,462</u>	<u>\$ 2,519,473</u>

NOTE F – DEPOSITS AND INVESTMENTS

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

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

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

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

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE F – DEPOSITS AND INVESTMENTS - CONTINUED

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 prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$13,612,859 and the bank balance was \$12,461,080. Of the bank balance, \$200,000 was covered by federal depository insurance and \$12,261,080 was not covered by FDIC. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School 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>Carrying Value</u>	<u>Fair Value</u>
STAR Ohio	<u>\$3,005,303</u>	<u>\$3,005,303</u>

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE F – DEPOSITS AND INVESTMENTS - CONTINUED

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$15,466,383	\$ -
Investments		
STAR Ohio	\$(3,005,303)	\$3,005,303
GASB Statement 3	<u>\$12,461,080</u>	<u>\$3,005,303</u>

NOTE G – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE G – PROPERTY TAXES – CONTINUED

The School District receives property taxes from Perry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$918,261 in the General Fund, \$15,688 in the Special Revenue Fund and \$111,906 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2001 Second-Half Collections	
	Amount	Percent
Agricultural/Residential and Other Real Estate	\$75,948,330	76.50%
Public Utility	183,190	0.18%
Tangible Personal Property	<u>23,143,651</u>	<u>23.32%</u>
Total Assessed Value	<u>\$99,275,171</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$36.56</u>	

The School District receives property taxes from Perry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE H – RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Special Revenue Funds	
Title I	<u>\$49,391</u>

NOTE I – FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at June 30, 2000	Additions	Deletions	Balance at June 30, 2001
Land, Buildings and Improvements	\$ 7,468,794	\$ -	\$ -	\$ 7,468,794
Furniture, Fixtures and Equipment	2,840,748	99,649	-	2,940,397
Vehicles	929,320	188,824	-	1,118,144
Construction in progress	<u>1,269,379</u>	<u>17,264,525</u>	<u>-</u>	<u>18,533,904</u>
Totals	<u>\$12,508,241</u>	<u>\$17,552,998</u>	<u>\$ -</u>	<u>\$30,061,239</u>

NOTE J – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Westfield Insurance Company for property, electronic equipment, commercial articles, valuable papers, contractor equipment, and crime insurance and through Nationwide Mutual Insurance for general liability insurance and fleet insurance.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE J – RISK MANAGEMENT - CONTINUED

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

For fiscal year 2001 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note Q). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE K – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The New Lexington City School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate for the School District is 14 percent of the annual covered payroll. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$227,052, \$222,715, and \$211,540, respectively; 69 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for the fiscal years 2000 and 1999. \$70,353 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE K – DEFINED BENEFIT PENSION PLANS - CONTINUED

State Teachers Retirement System

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

For fiscal year ended June 30, 2001 plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$802,404, \$1,007,734, and \$967,591, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for the fiscal years 2000 and 1999. \$132,156 represent the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

NOTE L – POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE L – POSTEMPLOYMENT BENEFITS - CONTINUED

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the fund was \$3.419 billion. For year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2000, employee contributions to fund health care benefits were 8.45 percent of covered payroll. In addition SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial credit service. For fiscal year 2001, the minimum pay was established at \$12,400.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for the payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE M – EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave for certified and classified employees may be accumulated up to a maximum of 315 and 215 days, respectively. Upon retirement, payment is made for 28% of the amount accrued for classified employees, up to a maximum of 60 days. For certified employees, a maximum of \$50 per day, up to 200 days may be paid to eligible employees.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE M – EMPLOYEE BENEFITS - CONTINUED

Health Care Benefits

The School District currently self-insures its employees through its Internal Service Fund for health, drug and dental insurance.

The School District provides life insurance to most employees. Premiums are paid from the same funds that pay the employees' salaries.

NOTE N – CAPITAL LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for a copier and library automation equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$194,663. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligation account group. Principal payments in fiscal year 2001 totaled \$145,303 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30	Enterprise	GLTDAG	Total
2002	\$2,768	\$50,328	\$ 53,096
2003	-	50,328	50,328
2004	-	50,328	50,328
2005	-	20,970	<u>20,970</u>
Total			174,722
Less: Amount Representing Interest			<u>29,419</u>
Present Value of Net Minimum Lease Payments			<u>\$145,303</u>

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE O- LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Restated Principal Outstanding <u>June 30, 2000</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 2001</u>
School Energy Conservation Notes	\$ 297,138	\$ -	\$68,604	\$ 228,534
General Obligation Bonds	3,670,000	-	95,000	3,575,000
Pension Obligation	19,138	68,413	-	87,551
Compensated Absences	584,122	26,109	-	610,231
Capital Lease Obligations	<u>-</u>	<u>142,798</u>	<u>-</u>	<u>142,798</u>
Total Long-Term Obligations	<u>\$4,570,398</u>	<u>\$237,320</u>	<u>\$163,604</u>	<u>\$4,644,114</u>

The School Energy Conservation Notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District, provided, however, that in each year to the extent that funds are available from other sources, including savings generated by energy conservation measures instituted by the District, the amount of such tax shall be reduced by the amount of such funds so available.

The General Obligation Bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all property in the District. In addition to all other taxes, an annual tax has been levied in an amount to provide for the payment of the principal and interest on these bonds.

The New Lexington City School District entered into an agreement dated December 29, 1998 with the Ohio School Facilities Commission to construct a new high school and to renovate other buildings within the District. The estimated cost of the project is \$29,177,790 and the District is required to contribute \$3,870,000. As established in Section 3318.08 of the Ohio Revised Code, the District was required to raise this funding by issuing bonds or notes.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE O- LONG-TERM OBLIGATIONS - CONTINUED

The District issued \$3,870,000 of School Improvement Bonds on July 1, 1999. The Bonds were issued to refund notes originally authorized pursuant to a vote of the public at an election held on November 3, 1998. In addition to the \$3,870,000 in proceeds used to refund the Bond Anticipation notes, the District also received \$3,000 in nonrefunding proceeds, which results in total proceeds of \$3,873,000. The proceeds, which represent the District's share, will be used for the purpose of constructing, acquiring, and making additions to classroom facilities.

The annual principal requirements to amortize all outstanding debt as of June 30, 2001 were as follows:

	Energy Conservation		General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 72,882	\$11,127	\$ 100,000	\$ 188,051	\$ 172,882	\$ 199,178
2003	76,173	7,552	105,000	183,821	181,173	191,373
2004	79,479	3,816	105,000	179,359	184,479	183,175
2005	-	-	110,000	174,681	110,000	174,681
2006	-	-	115,000	169,674	115,000	169,674
Thereafter	-	-	<u>3,040,000</u>	<u>1,510,618</u>	<u>3,040,000</u>	<u>1,510,618</u>
	<u>\$228,534</u>	<u>\$22,495</u>	<u>\$3,575,000</u>	<u>\$2,406,204</u>	<u>\$3,803,534</u>	<u>\$2,428,699</u>

NOTE P – JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative

The School District is a participant in the Southeastern Ohio Voluntary Education Cooperative (SEOVEC), which is a computer consortium. SEOVEC is an association that services numerous entities within Southeastern Ohio. These entities consist of public school districts, private schools, and educational service centers. The Association was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SEOVEC consists of the superintendents from all participating districts. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. The SEOVEC constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. Financial statements for SEOVEC can be obtained from their fiscal agent - the Southeastern Ohio Voluntary Education Cooperative, Box 1250, 221 N. Columbus Rd., Athens, Ohio 45701.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE P – JOINTLY GOVERNED ORGANIZATIONS - CONTINUED

Tri County Joint Vocational School

The Tri County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the member school districts. To obtain financial information write to the Tri County Joint Vocational School, 15676 St. Rt. 691, Nelsonville, Ohio 45764.

Southeastern Ohio Special Education Regional Resource Center

The Southeastern Ohio Educational Resource Center provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The New Lexington City School District has a cooperative agency agreement with them. There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board.

NOTE Q – INSURANCE PURCHASING POOL

Ohio School Board Association Workers' Compensation Group Rating Plan

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

NOTE R - STATE SCHOOL FUNDING DECISION

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001. Although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE R - STATE SCHOOL FUNDING DECISION - CONTINUED

The Supreme Court relinquished jurisdiction over the case on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE S – CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

Litigation

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

NOTE T – SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**New Lexington City School District
Perry County**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2001

NOTE T – SET-ASIDE CALCULATIONS AND FUND RESERVES - CONTINUED

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

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside cash balance as of June 30, 2000	\$ 59,000	\$ 7,000	\$93,000	\$ 159,000
Actual carry-over (restated)	-	(3,677,600)	-	(3,677,600)
Current year set-aside requirement	189,000	189,000	-	378,000
Voluntary contribution	91	-	-	91
Current year offsets	-	(46,972)	-	(46,972)
Qualifying disbursements	<u>(150,091)</u>	<u>(103,060)</u>	<u>-</u>	<u>(253,151)</u>
 Total	 <u>\$ 98,000</u>	 <u>\$(3,631,632)</u>	 <u>\$93,000</u>	 <u>\$(3,440,632)</u>
 Cash balances to carry forward To FY 2002	 <u>\$ 98,000</u>	 <u>\$ -</u>	 <u>\$93,000</u>	 <u>\$ 191,000</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amount below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$191,000.

**New Lexington City School District
Perry County**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

June 30, 2001

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through Ohio Department of Education						
Nutrition Cluster:						
National School Breakfast Program	05-PU-00	10.553	\$ 54,460	\$ -	\$ 54,460	\$ -
	05-PU-01					
National School Lunch Program	LL-P1-01	10.555	246,791	-	246,791	-
	LL-P4-02					
Summer Food Program	23&24-PU-00	10.559	22,970	-	22,970	-
Total U.S. Department of Agriculture - Nutrition Cluster			324,221	-	324,221	-
Food Distribution		10.550	-	46,133	-	49,172
Total U.S. Department of Agriculture			324,221	46,133	324,221	49,172
<u>U.S. Department of Education</u>						
Passed through Ohio Department of Education						
Special Education Grants to States (IDEA Part B)	6B-SF -99	84.027	171,851	-	81,146	-
	6B-SR-00					
Grants 2000	G2-S2-00	84.276	28,300	-	9,558	-
	G2-S2-01					
Eisenhower Professional Development	MS-S1-00	84.281	12,024	-	10,787	-
	MS-S1-01					
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	548,894	-	489,207	-
	C1-S1-00C					
	C1-S1-01					
Innovative Educational Program Strategies (Title VI)	C2-S1-01	84.298	10,158	-	5,394	-
Title VI-R - Class Size Reduction	CR-S1-01	84.340	75,898	-	50,282	-
Total U.S. Department of Education			847,125	-	646,374	-
<u>U.S. Department of Human Services</u>						
Passed through Ohio Department of Mental Retardation and Developmental Disabilities						
CAFS - Medicaid		93.778	32,447	-	32,447	-
Totals			\$ 1,203,793	\$ 46,133	\$ 1,003,042	\$ 49,172

The accompanying notes are an integral part of this schedule.

**New Lexington City School District
Perry County**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Year ended June 30, 2001

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

FOOD DISTRIBUTION

Non-monetary assistance is reported in the accompanying schedule of federal awards receipts and expenditures at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



Report On Compliance And On Internal Control Required by Government Auditing Standards

Board of Education
New Lexington City School District
310-312 First Street
New Lexington, Ohio 43764

We have audited the general-purpose financial statements of New Lexington City School District, Perry County, Ohio (the District) as of and for the year ended June 30, 2001 and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 14, 2001.

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

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However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management in a separate letter dated December 14, 2001.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 14, 2001



**Report On Compliance With Requirements Applicable To Each Major Program And On
Internal Control Over Compliance In Accordance With OMB Circular A-133**

Board of Education
New Lexington City School District
310-312 First Street
New Lexington, Ohio 43764

Compliance

We have audited the compliance of New Lexington City School District, Perry County, Ohio, (the 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 each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Wilson, Shannon & Snow, Inc.

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Internal Control Over Compliance

The management of the 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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 14, 2001

**New Lexington City School District
Perry County**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster/10.553, 10.555, 10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS FOR FEDERAL AWARDS

None were noted

**New Lexington City School District
Perry County**

SCHEDULE OF PRIOR FINDINGS

June 30, 2001

Finding Number	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-1	Annual report filed on basis other than GAAP.	Yes	Finding no longer valid – converted to GAAP basis



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEW LEXINGTON CITY SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 7, 2002**