

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2002***

GINA BLACKMAN, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

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JIM PETRO
Auditor of State

November 14, 2002

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

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

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

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of New London Local School District, Huron County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with accounting principles generally accepted of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
September 27, 2002

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 882,199	\$ 373,532	\$ 249,005	\$ 2,087,689
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent.	2,004,379	36,509	241,975	-
Accounts.	1,795	2,440	-	-
Accrued interest	26,717	-	-	-
Due from other governments	10,168	25,305	-	32,253
Materials and supplies inventory	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	34,637	-	-	-
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	<u>\$ 2,959,895</u>	<u>\$ 437,786</u>	<u>\$ 490,980</u>	<u>\$ 2,119,942</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 36,384	\$ 13,759	\$ -	\$ -
Contracts payable.	-	-	-	71,166
Retainage payable.	-	-	-	322,510
Accrued wages and benefits.	658,038	23,561	-	-
Compensated absences payable.	31,673	-	-	-
Due to other governments	29,338	1,357	-	-
Pension obligation payable	134,850	1,296	-	-
Deferred revenue	1,510,897	32,360	214,495	32,253
Due to students	-	-	-	-
General obligation bonds payable.	-	-	-	-
Capital lease obligation payable	-	-	-	-
Asbestos removal loans payable	-	-	-	-
Total liabilities.	<u>2,401,180</u>	<u>72,333</u>	<u>214,495</u>	<u>425,929</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	62,528	17,474	-	873,534
Reserved for debt service	-	-	249,005	-
Reserved for tax revenue unavailable for appropriation. . .	190,094	4,149	27,480	-
Reserved for principal endowment	-	-	-	-
Reserved for scholarship	-	-	-	-
Reserved for bus purchases	34,637	-	-	-
Unreserved-undesignated	271,456	343,830	-	820,479
Total equity and other credits	<u>558,715</u>	<u>365,453</u>	<u>276,485</u>	<u>1,694,013</u>
Total liabilities, equity and other credits.	<u>\$ 2,959,895</u>	<u>\$ 437,786</u>	<u>\$ 490,980</u>	<u>\$ 2,119,942</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 21,434	\$ 90,763	\$ -	\$ -	\$ 3,704,622
-	290,164	-	-	290,164
-	-	-	-	2,282,863
-	19	-	-	4,254
-	1,440	-	-	28,157
11,742	-	-	-	79,468
10,190	-	-	-	10,190
-	-	-	-	34,637
418,623	-	23,035,316	-	23,453,939
-	-	-	276,485	276,485
-	-	-	3,573,617	3,573,617
<u>\$ 461,989</u>	<u>\$ 382,386</u>	<u>\$ 23,035,316</u>	<u>\$ 3,850,102</u>	<u>\$ 33,738,396</u>
\$ 69	\$ -	\$ -	\$ -	\$ 50,212
-	-	-	-	71,166
-	-	-	-	322,510
23,646	-	-	-	705,245
11,141	-	-	543,568	586,382
695	-	-	-	31,390
12,026	-	-	48,708	196,880
6,654	-	-	-	1,796,659
-	48,157	-	-	48,157
-	-	-	3,177,987	3,177,987
-	-	-	38,609	38,609
-	-	-	41,230	41,230
<u>54,231</u>	<u>48,157</u>	<u>-</u>	<u>3,850,102</u>	<u>7,066,427</u>
-	-	23,035,316	-	23,035,316
64,979	-	-	-	64,979
342,779	-	-	-	342,779
-	9,767	-	-	963,303
-	-	-	-	249,005
-	-	-	-	221,723
-	265,507	-	-	265,507
-	25,967	-	-	25,967
-	-	-	-	34,637
-	32,988	-	-	1,468,753
<u>407,758</u>	<u>334,229</u>	<u>23,035,316</u>	<u>-</u>	<u>26,671,969</u>
<u>\$ 461,989</u>	<u>\$ 382,386</u>	<u>\$ 23,035,316</u>	<u>\$ 3,850,102</u>	<u>\$ 33,738,396</u>

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,368,904	\$ 33,329	\$ 227,435	\$ -	\$ -	\$ 2,629,668
Tuition	308,498	-	-	-	-	308,498
Earnings on investments	63,541	3,454	-	77,936	1,111	146,042
Extracurricular	-	255,683	-	-	-	255,683
Donations	-	-	-	-	14,395	14,395
Other local revenues	39,827	35,620	-	22,561	718	98,726
Intergovernmental - State	4,628,129	108,902	30,596	787,459	-	5,555,086
Intergovernmental - Federal	10,168	277,414	-	-	-	287,582
Total revenues	7,419,067	714,402	258,031	887,956	16,224	9,295,680
Expenditures:						
Current:						
Instruction:						
Regular	3,739,550	188,268	-	11,995	-	3,939,813
Special	830,118	172,808	-	-	-	1,002,926
Vocational	215,319	-	-	-	-	215,319
Other	144,895	917	-	-	-	145,812
Support services:						
Pupil	239,499	7,895	-	-	-	247,394
Instructional staff	367,778	32,006	-	17,234	1,358	418,376
Board of Education	11,298	-	-	-	-	11,298
Administration	659,658	5,650	5,181	-	-	670,489
Fiscal	182,177	6,030	-	-	-	188,207
Business	-	899	-	-	16,319	17,218
Operations and maintenance	677,652	1,116	-	-	-	678,768
Pupil transportation	366,035	-	-	-	-	366,035
Central	-	3,550	-	-	-	3,550
Community services	6,461	6,472	-	-	-	12,933
Extracurricular activities	177,044	175,299	-	-	-	352,343
Facilities acquisition and construction	33,001	12,004	-	3,354,058	-	3,399,063
Debt service:						
Principal retirement	6,767	-	92,000	-	-	98,767
Interest and fiscal charges	6,764	-	154,066	-	-	160,830
Total expenditures	7,664,016	612,914	251,247	3,383,287	17,677	11,929,141
Excess (deficiency) of revenues over (under) expenditures	(244,949)	101,488	6,784	(2,495,331)	(1,453)	(2,633,461)
Other financing sources (uses):						
Operating transfers out	(42,189)	-	-	-	-	(42,189)
Proceeds from sale of fixed assets	43,481	-	-	-	-	43,481
Total other financing sources (uses)	1,292	-	-	-	-	1,292
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(243,657)	101,488	6,784	(2,495,331)	(1,453)	(2,632,169)
Fund balances, July 1	802,372	263,965	269,701	4,189,344	44,208	5,569,590
Fund balances, June 30	\$ 558,715	\$ 365,453	\$ 276,485	\$ 1,694,013	\$ 42,755	\$ 2,937,421

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

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,322,038	\$ 2,403,132	\$ 81,094	\$ 31,061	\$ 34,353	\$ 3,292
Tuition	298,088	308,498	10,410	-	-	-
Earnings on investments	59,060	61,123	2,063	3,080	3,407	327
Extracurricular	-	-	-	233,241	257,969	24,728
Other local revenues	32,743	33,886	1,143	30,463	33,693	3,230
Intergovernmental - State	4,402,276	4,628,129	225,853	107,204	112,495	5,291
Intergovernmental - Federal	-	-	-	236,454	261,523	25,069
Total revenues	<u>7,114,205</u>	<u>7,434,768</u>	<u>320,563</u>	<u>641,503</u>	<u>703,440</u>	<u>61,937</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,839,780	3,757,118	82,662	250,225	203,048	47,177
Special	843,153	825,878	17,275	206,655	172,388	34,267
Vocational	216,755	214,140	2,615	-	-	-
Other	155,852	152,173	3,679	1,398	916	482
Support services:						
Pupil	251,833	236,407	15,426	10,329	5,728	4,601
Instructional staff	371,624	360,511	11,113	80,789	37,412	43,377
Board of Education	11,586	11,426	160	-	-	-
Administration	681,432	669,133	12,299	8,278	5,646	2,632
Fiscal	183,279	182,354	925	12,830	6,020	6,810
Business	-	-	-	1,141	1,141	-
Operations and maintenance	783,409	700,594	82,815	6,358	1,616	4,742
Pupil transportation	391,049	379,922	11,127	-	-	-
Central	-	-	-	3,550	3,550	-
Community services	9,811	9,811	-	11,450	6,476	4,974
Extracurricular activities	181,058	174,982	6,076	252,965	188,177	64,788
Facilities acquisition and construction	33,381	33,381	-	12,022	12,004	18
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>7,954,002</u>	<u>7,707,830</u>	<u>246,172</u>	<u>857,990</u>	<u>644,122</u>	<u>213,868</u>
Excess of revenues over (under) expenditures	<u>(839,797)</u>	<u>(273,062)</u>	<u>566,735</u>	<u>(216,487)</u>	<u>59,318</u>	<u>275,805</u>
Other financing sources (uses):						
Advances in	3,352	3,469	117	3,136	3,469	333
Advances out	(7,800)	(3,469)	4,331	-	(3,469)	(3,469)
Operating transfers out	(43,000)	(42,189)	811	-	-	-
Proceeds from sale of fixed assets	42,014	43,481	1,467	-	-	-
Refund of prior year's receipts	(100)	-	100	-	-	-
Refund of prior year's expenditure	4,277	4,426	149	-	-	-
Total other financing sources (uses)	<u>(1,257)</u>	<u>5,718</u>	<u>6,975</u>	<u>3,136</u>	<u>-</u>	<u>(3,136)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(841,054)</u>	<u>(267,344)</u>	<u>573,710</u>	<u>(213,351)</u>	<u>59,318</u>	<u>272,669</u>
Fund balances, July 1	940,194	940,194	-	247,861	247,861	-
Prior year encumbrances appropriated	146,684	146,684	-	34,687	34,687	-
Fund balances, June 30	<u>\$ 245,824</u>	<u>\$ 819,534</u>	<u>\$ 573,710</u>	<u>\$ 69,197</u>	<u>\$ 341,866</u>	<u>\$ 272,669</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 183,318	\$ 234,088	\$ 50,770	\$ -	\$ -	\$ -	\$ 2,536,417	\$ 2,671,573	\$ 135,156
-	-	-	-	-	-	298,088	308,498	10,410
-	-	-	11,860	94,703	82,843	74,000	159,233	85,233
-	-	-	-	-	-	233,241	257,969	24,728
-	-	-	-	21,911	21,911	63,206	89,490	26,284
75,673	30,596	(45,077)	172,332	787,459	615,127	4,757,485	5,558,679	801,194
-	-	-	-	-	-	236,454	261,523	25,069
<u>258,991</u>	<u>264,684</u>	<u>5,693</u>	<u>184,192</u>	<u>904,073</u>	<u>719,881</u>	<u>8,198,891</u>	<u>9,306,965</u>	<u>1,108,074</u>
-	-	-	18,536	12,000	6,536	4,108,541	3,972,166	136,375
-	-	-	-	-	-	1,049,808	998,266	51,542
-	-	-	-	-	-	216,755	214,140	2,615
-	-	-	-	-	-	157,250	153,089	4,161
-	-	-	-	-	-	262,162	242,135	20,027
-	-	-	17,393	17,393	-	469,806	415,316	54,490
-	-	-	-	-	-	11,586	11,426	160
5,811	5,181	630	-	-	-	695,521	679,960	15,561
-	-	-	-	-	-	196,109	188,374	7,735
-	-	-	-	-	-	1,141	1,141	-
-	-	-	-	-	-	789,767	702,210	87,557
-	-	-	-	-	-	391,049	379,922	11,127
-	-	-	-	-	-	3,550	3,550	-
-	-	-	-	-	-	21,261	16,287	4,974
-	-	-	-	-	-	434,023	363,159	70,864
-	-	-	6,264,290	5,933,043	331,247	6,309,693	5,978,428	331,265
92,000	92,000	-	-	-	-	92,000	92,000	-
154,066	154,065	1	-	-	-	154,066	154,065	1
<u>251,877</u>	<u>251,246</u>	<u>631</u>	<u>6,300,219</u>	<u>5,962,436</u>	<u>337,783</u>	<u>15,364,088</u>	<u>14,565,634</u>	<u>798,454</u>
<u>7,114</u>	<u>13,438</u>	<u>6,324</u>	<u>(6,116,027)</u>	<u>(5,058,363)</u>	<u>1,057,664</u>	<u>(7,165,197)</u>	<u>(5,258,669)</u>	<u>1,906,528</u>
-	-	-	-	-	-	6,488	6,938	450
-	-	-	-	-	-	(7,800)	(6,938)	862
-	-	-	-	-	-	(43,000)	(42,189)	811
-	-	-	-	-	-	42,014	43,481	1,467
-	-	-	-	-	-	(100)	-	100
-	-	-	81	650	569	4,358	5,076	718
-	-	-	<u>81</u>	<u>650</u>	<u>569</u>	<u>1,960</u>	<u>6,368</u>	<u>4,408</u>
7,114	13,438	6,324	(6,115,946)	(5,057,713)	1,058,233	(7,163,237)	(5,252,301)	1,910,936
235,567	235,567	-	4,346,154	4,346,154	-	5,769,776	5,769,776	-
-	-	-	1,851,297	1,851,297	-	2,032,668	2,032,668	-
<u>\$ 242,681</u>	<u>\$ 249,005</u>	<u>\$ 6,324</u>	<u>\$ 81,505</u>	<u>\$ 1,139,738</u>	<u>\$ 1,058,233</u>	<u>\$ 639,207</u>	<u>\$ 2,550,143</u>	<u>\$ 1,910,936</u>

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/(ACCUMULATED DEFICIT)/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Sales/charges for services	\$ 233,882	\$ -	\$ 233,882
Investment earnings	<u>-</u>	<u>7,602</u>	<u>7,602</u>
Total operating revenues	<u>233,882</u>	<u>7,602</u>	<u>241,484</u>
Operating expenses:			
Personal services	225,606	-	225,606
Contract services	3,177	-	3,177
Materials and supplies	147,152	-	147,152
Depreciation	8,152	-	8,152
Other	<u>-</u>	<u>14,593</u>	<u>14,593</u>
Total operating expenses	<u>384,087</u>	<u>14,593</u>	<u>398,680</u>
Operating loss	<u>(150,205)</u>	<u>(6,991)</u>	<u>(157,196)</u>
Nonoperating revenues:			
Operating grants	87,252	-	87,252
Federal commodities	23,700	-	23,700
Interest revenue	<u>362</u>	<u>-</u>	<u>362</u>
Total nonoperating revenues	<u>111,314</u>	<u>-</u>	<u>111,314</u>
Net loss before operating transfers and contributions	(38,891)	(6,991)	(45,882)
Operating transfers in	42,189	-	42,189
Capital contributions	<u>362,954</u>	<u>-</u>	<u>362,954</u>
Net income (loss)	366,252	(6,991)	359,261
Accumulated deficit/fund balance, July 1	<u>(23,473)</u>	<u>298,465</u>	<u>274,992</u>
Retained earnings/fund balance, June 30	<u>\$ 342,779</u>	<u>\$ 291,474</u>	<u>\$ 634,253</u>

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

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 233,882	\$ -	\$ 233,882
Cash payments for personal services	(218,144)	-	(218,144)
Cash payments for contract services	(3,127)	-	(3,127)
Cash payments for materials and supplies.	(123,885)	-	(123,885)
Cash payments for other expenses	-	(14,593)	(14,593)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities.	(111,274)	(14,593)	(125,867)
Cash flows from noncapital financing activities:			
Cash received from operating grants	75,510	-	75,510
Transfers in from other funds.	42,189	-	42,189
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	117,699	-	117,699
Cash flows from investing activities:			
Interest received	362	19,238	19,600
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	362	19,238	19,600
Net increase in cash and cash equivalents	6,787	4,645	11,432
Cash and cash equivalents at beginning of year	14,647	285,519	300,166
Cash and cash equivalents at end of year.	<u>\$ 21,434</u>	<u>\$ 290,164</u>	<u>\$ 311,598</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (150,205)	\$ (6,991)	\$ (157,196)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	8,152	-	8,152
Federal donated commodities	23,700	-	23,700
Interest reported as operating income	-	(7,602)	(7,602)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	2,910	-	2,910
Increase in accounts payable.	53	-	53
Increase in accrued wages and benefits	3,608	-	3,608
Increase in compensated absences payable	1,363	-	1,363
Increase in due to other governments payable.	695	-	695
Increase in pension obligation payable.	1,796	-	1,796
Decrease in deferred revenue.	(3,346)	-	(3,346)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities.	<u>\$ (111,274)</u>	<u>\$ (14,593)</u>	<u>\$ (125,867)</u>

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

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 47 non-certified and 80 certified (including administrative) full-time and part-time employees to provide services to approximately 1,174 students in grades K through 12 and various community groups, which ranks it 452nd out of 705 public and community school districts in Ohio, and 5th largest of 7 districts in Huron County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Education Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035.

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

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

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

Huron-Erie School Employees Insurance Association

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

B. Fund Accounting

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

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available (see Note 6). Revenue from income taxes is recognized in the fiscal year the underlying exchange transaction occurs (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

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

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

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

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

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

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

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, for all funds except the general fund, which is enacted at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds other than the general fund or alter object appropriations within functions for the general fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund, function and object level for the general fund, and at the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 13 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

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

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

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

E. Cash and Investments

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

During fiscal year 2002, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. The investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

By policy of the Board of Education, investment earnings are assigned to the general fund, the Project Construction capital projects fund, the expendable trust fund, the Food Service, Summer School and Adult Education enterprise funds, the Public School Support and District Managed Student Activities special revenue funds, the non-expendable trust fund and the Student-Managed Activity agency fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$63,541, which includes \$38,079 assigned from other District funds.

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

F. Inventory

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

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

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

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

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

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

H. Compensated Absences

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

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

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

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board (GASB), “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all non-certified personnel employed at June 30, 2002, and all certified personnel employed at the District for 10 years or more as of June 30, 2002, were expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

I. Long-Term Obligations

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

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

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

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

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

J. Contributed Capital

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

K. Fund Equity

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable".

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

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

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

4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 19 for detail of statutory reserves.

N. Estimates

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

O. Memorandum Only - Total Columns

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Agency Funds

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

ASSETS

Accounts receivable	\$ 12
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LIABILITIES

Accounts payable	2,552
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NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

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

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

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

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$930,518 and the bank balance, including non-negotiable certificates of deposit, was \$1,098,037. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$798,037 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

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

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	<u>\$3,098,905</u>	<u>\$3,098,905</u>
Total investments	<u><u>\$3,098,905</u></u>	<u><u>\$3,098,905</u></u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,029,423	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(3,098,905)</u>	<u>3,098,905</u>
GASB Statement No. 3	<u><u>\$ 930,518</u></u>	<u><u>\$3,098,905</u></u>

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

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$42,189
<u>Enterprise Fund</u>		
Food Service	<u>42,189</u>	<u>-</u>
Total	<u>\$42,189</u>	<u>\$42,189</u>

NOTE 6 - PROPERTY TAXES

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

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

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

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

The assessed value upon which the 2001 taxes were collected was \$78,682,670. Agricultural/residential and public utility/minerals real estate represented 80.35% or \$63,220,750 of this total; Commercial & industrial real estate represented 8.68% or \$6,828,050 of this total; public utility tangible represented 5.50% or \$4,328,800 of this total and general tangible property represented 5.47% or \$4,305,070 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$31.80 per \$1,000.00 of assessed valuation for operations and \$3.80 per \$1,000.00 of assessed valuation for debt service.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

The Ashland, Lorain and Huron County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District their portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$190,904 in the General fund, \$27,480 in the debt service fund and \$4,149 in the Classroom Facilities Maintenance special revenue fund.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual 1% school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2002, was \$1,106,837.

NOTE 8 - RECEIVABLES

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

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

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

NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$1,700,762
School district income tax	303,617
Accrued interest	26,717
Due from other governments	10,168
Accounts	1,795
 <u>Special Revenue Funds</u>	
Taxes - current & delinquent	36,509
Due from other governments	25,305
Accounts	2,440
 <u>Debt Service Fund</u>	
Taxes - current & delinquent	241,975
 <u>Capital Projects Funds</u>	
Due from other governments	32,253
 <u>Enterprise Funds</u>	
Due from other governments	11,742

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 309,096	\$ 1,953,135	\$ -	\$ 2,262,231
Buildings/improvements	2,194,014	15,352,715	-	17,546,729
Equipment and vehicles	1,962,049	1,264,307	-	3,226,356
Construction in progress	<u>15,334,817</u>	<u>3,443,612</u>	<u>(18,778,429)</u>	<u>0</u>
Total	<u>\$19,799,976</u>	<u>\$22,013,769</u>	<u>\$(18,778,429)</u>	<u>\$23,035,316</u>

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

NOTE 9 - FIXED ASSETS - (Continued)

During fiscal 2002, the District completed construction of a new elementary, middle and high school building. The total cost of the building has been removed from Construction in progress and classified as a current year addition to the appropriate fixed asset category.

B. Proprietary Fixed Assets

A summary of the proprietary fixed assets at June 30, 2002, follows:

Furniture and equipment	\$480,375
Less: accumulated depreciation	<u>(61,752)</u>
Net fixed assets	<u>\$418,623</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District has entered into a capitalized lease for the acquisition of copiers. The term of the lease provides an option to purchase the equipment. This meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The new lease transaction has been accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$46,403, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$6,767. This amount is reflected as debt service principal retirement in the general fund.

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

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

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002:

General Long-Term Obligations

Year Ending June 30	Copiers
2003	\$ 13,531
2004	13,531
2005	13,531
2006	<u>11,276</u>
Total future minimum lease payments	51,869
Less: amount representing interest	<u>(13,260)</u>
Present value of future minimum lease payments	<u>\$ 38,609</u>

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

NOTE 11 - LONG-TERM OBLIGATIONS

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

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

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of current interest bonds, par value \$2,130,000, serial bonds, par value \$855,000, and capital appreciation bonds, par value \$580,000. The capital appreciation bonds mature each December 1, 2008 through 2011, (effective interest 7.639%, 7.701%, 7.634%, and 7.639%, respectively) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2002 was \$265,673. Total accreted interest of \$57,314 has been included in the general long-term obligations account group at June 30, 2002. The current interest bonds maturing on or after December 1, 2008 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

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

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

- B.** In 1986 and in 1995 the District received loans from the U.S. Environmental Protection Agency for an asbestos abatement project. These loans are interest free provided the District remains current on repayment. These loans are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. The outstanding balance of the loans is reported in the general long-term obligations account group. Payments are recorded as expenditures of the debt service fund; current operating revenues provide the source for repayment.
- C.** During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>General Obligation Bonds:</u>				
Series 1999, improvement 5.25%, 12/01/22 maturity	\$2,940,000	\$ -	\$ (85,000)	\$2,855,000
Series 1999, improvement Capital appreciation bonds 7.639% to 7.701% (average effective) 12/01/08, 09, 10, & 11 maturity	265,673	-	-	265,673
Series 1999, improvement capital appreciation bonds accrued interest	<u>34,375</u>	<u>22,939</u>	<u>-</u>	<u>57,314</u>
Total, general obligation bonds	<u>3,240,048</u>	<u>22,939</u>	<u>(85,000)</u>	<u>3,177,987</u>
<u>General Obligation Loans:</u>				
Asbestos abatement, 1989 0%, 05/30/08 maturity	14,010	-	(2,000)	12,010
Asbestos abatement, 1995 0%, 05/31/08 maturity	<u>34,220</u>	<u>-</u>	<u>(5,000)</u>	<u>29,220</u>
Total, general obligation loans	<u>48,230</u>	<u>-</u>	<u>(7,000)</u>	<u>41,230</u>
Compensated absences	\$ 557,148	\$ 84,537	\$ (98,117)	\$ 543,568
Pension benefit obligation	45,079	48,708	(45,079)	48,708
Capital lease	<u>45,376</u>	<u>-</u>	<u>(6,767)</u>	<u>38,609</u>
Total, other obligations	<u>647,603</u>	<u>133,245</u>	<u>(149,963)</u>	<u>630,885</u>
Total, all general long-term liabilities	<u>\$3,935,881</u>	<u>\$156,184</u>	<u>\$(241,963)</u>	<u>\$3,850,102</u>

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Principal and interest requirements to retire general obligation bonds and asbestos removal loans outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30	General Obligation Term Bonds	Capital Appreciation General Obligation Bonds	Asbestos Removal Loans	Total
2003	\$ 245,284	\$ -	\$ 7,000	\$ 252,284
2004	255,845	-	7,000	262,845
2005	255,837	-	7,000	262,837
2006	265,260	-	7,000	272,260
2007	264,098	-	7,000	271,098
2008 - 2012	262,566	580,000	6,230	848,796
2013 - 2017	1,301,918	-	-	1,301,918
2018 - 2022	1,300,851	-	-	1,300,851
2023	<u>257,125</u>	<u>-</u>	<u>-</u>	<u>257,125</u>
Total obligation	4,408,784	580,000	41,230	5,030,014
Less: interest	<u>(1,553,784)</u>	<u>(257,013)</u>	<u>-</u>	<u>(1,810,797)</u>
Total principal	<u>\$ 2,855,000</u>	<u>\$ 322,987</u>	<u>\$41,230</u>	<u>\$ 3,219,217</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2002 are a voted debt margin of \$4,179,938 (including available funds of \$276,485) and an unvoted debt margin of \$78,683.

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

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

NOTE 12 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Utica National Company, which includes boiler coverage. The deductible is \$500 per incident. All vehicles are insured with Nationwide Insurance Company and have a \$100 deductible on collision and \$50 on comprehensive. All board members, administrators and employees are covered under a school district liability policy with Great American Alliance Insurance. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 aggregate. Settled claims have not exceeded these commercial insurance coverages in any of the past three years. There have been no significant reductions in coverage from 2001.

B. Employee Dishonesty Bonds

The board president is covered with a surety bond for \$20,000 through the OSBA Board Program. The superintendent and the treasurer are covered by a \$20,000 and a \$100,000 surety bond respectively. The student activity clerk/treasurer's secretary is also covered by a surety bond in the amount of \$10,000. These bonds are all with the Western Surety Company. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$10,000. This coverage is provided by the State Auto Insurance Company. Settled claims have not exceeded these commercial insurance coverages in any of the past three years. There have been no significant reductions in coverage from 2001.

C. Workers' Compensation

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 12 - RISK MANAGEMENT - (Continued)

D. Huron-Erie School Employees Insurance Association

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

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

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

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

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of Food Services, Summer School, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Services</u>	<u>Summer School</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$ 233,882	\$ -	\$ -	\$ 233,882
Operating expenses before depreciation	375,935	-	-	375,935
Depreciation	8,152	-	-	8,152
Operating loss	(150,205)	-	-	(150,205)
Operating grants	87,252	-	-	87,252
Operating transfers in	42,189	-	-	42,189
Capital contributions	362,954	-	-	362,954
Net income	366,194	45	13	366,252
Net working capital	(2,215)	1,938	553	276
Total assets	459,498	1,938	553	461,989
Total liabilities	54,231	-	-	54,231
Total retained earnings	340,288	1,938	553	342,779
Contributed capital	64,979	-	-	64,979
Total fund equity	405,267	1,938	553	407,758
Encumbrances at June 30, 2002	727	-	-	727

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$126,028, \$189,424, and \$182,965, respectively; 47% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$66,432, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$528,902, \$613,556, and \$587,140, respectively; 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$88,128, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$170,004 during fiscal 2002.

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

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

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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

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

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$88,172 during the 2002 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
		<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(267,344)	\$ 59,318	\$13,438	\$(5,057,713)
Net adjustment for revenue accruals	(15,701)	10,962	(6,653)	(16,117)
Net adjustment for expenditure accruals	(52,229)	(18)	(1)	1,634,449
Net adjustment for other financing sources/(uses)	(4,426)	-	-	(650)
Adjustment for encumbrances	<u>96,043</u>	<u>31,226</u>	<u>-</u>	<u>944,700</u>
GAAP basis	<u>\$(243,657)</u>	<u>\$101,488</u>	<u>\$ 6,784</u>	<u>\$(2,495,331)</u>

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

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

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. 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 timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

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

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

NOTE 17 - CONTINGENCIES - (Continued)

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

NOTE 18 - CONTRACTUAL COMMITMENTS

As stated in Note 9.A., the District completed the new elementary, middle and high school building. Although the building was occupied and used in fiscal 2002, there were a few contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2002:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
MJ Brown	\$ 980,562	\$ 957,707	\$ 22,855
Capital Equipment Inc.	346,331	333,773	12,558
Continental Office Environment	308,722	236,718	72,004
Folding Equipment Co.	119,930	116,228	3,702
Guenther Mechanical	2,170,842	2,114,696	56,146
Interstate Welding	1,398,400	1,350,584	47,816
LaGrange Plumbing	926,015	896,178	29,837
Lake Erie Electric	2,298,919	2,213,758	85,161
Metro Window & Glass	358,679	339,609	19,070
Reinharts Landscaping	179,292	161,670	17,622
AJ Riley	363,175	279,587	83,588
Rizzi Dist.	356,763	353,654	3,109
Mark Schaffer	1,510,222	1,399,801	110,421
Service Supply Ltd.	97,143	92,077	5,066
Tom Sexton & Assoc.	339,765	303,422	36,343
Smith Schaefer	145,953	140,174	5,779
CT Taylor	3,797,736	3,719,267	78,469
Tele-Communications Inc.	64,195	54,029	10,166
D. E. Williams Electric	703,110	629,802	73,308
Totals	<u>\$16,465,754</u>	<u>\$15,692,734</u>	<u>\$773,020</u>

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

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

NOTE 19 - STATUTORY RESERVES

The District is required by state law to set-aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside carryforward balance as of July 1, 2001	\$ (11,556)	\$(103,412)
Current year set-aside requirement	133,023	133,023
Transfer of BWC Refunds	23,310	-
Current year offsets	-	(42,503)
Qualifying disbursements	<u>(184,573)</u>	<u>(98,369)</u>
Total	<u>(39,796)</u>	<u>(111,261)</u>
Carried forward to FY 2003	<u>\$ (39,796)</u>	<u>\$(111,261)</u>

Monies representing BWC refunds that were received prior to April 10, 2001, were approved by the Board of Education to be deposited in the Textbook Instructional Materials reserve and spent during the fiscal year ended June 30, 2002.

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

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

Amount restricted for bus purchases	<u>\$34,637</u>
Total restricted assets	<u>\$34,637</u>

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SUPPLEMENTAL DATA

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

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 20,746	\$ -	\$ 23,700
(A), (C) School Breakfast Program	10.553	047720-05-PU-2001	637		637	
(A), (C) School Breakfast Program	10.553	047720-05-PU-2002	8,838		8,838	
(A), (C) National School Lunch	10.555	047720-LL-P4-2001	7,036		7,036	
(A), (C) National School Lunch	10.555	047720-LL-P4-2002	52,770		52,770	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>69,281</u>	<u>20,746</u>	<u>69,281</u>	<u>23,700</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	047720-C1-S1-2001	-		17,924	
Title I - Grants to Local Educational Agencies	84.010	047720-C1-S1-2001-C	-		11,497	
Title I - Grants to Local Educational Agencies	84.010	047720-C1-S1-2002	124,458		97,156	
Total Title I			<u>124,458</u>		<u>126,577</u>	
Title VI-B - Education of the Handicapped Act	84.027	047720-6B-SF-2001	-		3,176	
Title VI-B - Education of the Handicapped Act	84.027	047720-6B-SF-2002	80,099		55,462	
Total Title VI-B			<u>80,099</u>		<u>58,638</u>	
(E) Perkins	84.038	N/A	10,168		10,168	
Safe and Drug-Free Schools	84.186	047720-DR-S1-2001	3,325		3,813	
Safe and Drug-Free Schools	84.186	047720-DR-S1-2002	1,012		-	
Total Safe and Drug-Free Schools			<u>4,337</u>		<u>3,813</u>	
Goals 2000	84.276	047720-G2-S2-2000	-		4,149	
Goals 2000	84.276	047720-G2-S1-2001	12,558		9,985	
Goals 2000	84.276	047720-G2-S2-2001	-		11,663	
Total Goals 2000			<u>12,558</u>		<u>25,797</u>	
Eisenhower Professional Development	84.281	047720-MS-S1-2002	5,845		1,847	
Title VI - Innovative Educational Program Strategies	84.298	047720-C2-S1-2001	-		1,350	
Title VI - Innovative Educational Program Strategies	84.298	047720-C2-S1-2002	6,062		4,200	
Total Title VI			<u>6,062</u>		<u>5,550</u>	
Title VI-R - Class Size Reduction	84.340	047720-CR-S1-2001	-		2,533	
Title VI-R - Class Size Reduction	84.340	047720-CR-S1-2002	31,489		27,622	
Total Title VI-R			<u>31,489</u>		<u>30,155</u>	
Total U.S. Department of Education			<u>275,016</u>		<u>262,545</u>	
Total Federal Financial Assistance			<u>\$ 344,297</u>	<u>\$ 20,746</u>	<u>\$ 331,826</u>	<u>\$ 23,700</u>

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

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

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

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

We have audited the general purpose financial statements of New London Local School District as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated September 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Board of Education
New London Local School District

Internal Control Over Financial Reporting

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

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

Trimble, Julian & Grube, Inc.
September 27, 2002

TRIMBLE, JULIAN & GRUBE, INC.

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

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

Compliance

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

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

Board of Education
New London Local School District

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

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
September 27, 2002

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Nutrition Cluster: Donated Commodities - CFDA #10.550, School Breakfast Program - CFDA #10.553, National School Lunch - CFDA# 10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEW LONDON LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 26, 2002**