



**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Newton Local School District
Miami County
201 N. Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Newton Local School District, Miami County, (the District) as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Newton Local School District, Miami County, as of June 30, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund type in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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.

Jim Petro
Auditor of State

January 4, 2002

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$202,717	\$61,249	\$133,385	\$58,524
Cash and Cash Equivalents with Fiscal Agent		367		
Investments in Segregated Accounts				
Receivables:				
Property Taxes	868,500		83,860	
Income Taxes	238,645			
Accounts	2,080	281		
Intergovernmental	56,766	78,207		58,500
Notes				
Accrued Interest	2,116			
Prepaid Items	6,897			
Inventory of Supplies and Materials	5,099			
Inventory Held for Resale				
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	12,507			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>1,395,327</u>	<u>140,104</u>	<u>217,245</u>	<u>117,024</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	10,320			
Accrued Wages and Benefits Payable	313,519			
Intergovernmental Payable	72,830	510		
Due To Students				
Deferred Revenue	870,380	76,502	80,791	42,017
Compensated Absences Payable	26,033			
General Obligation Bonds Payable				
Total Liabilities	<u>1,293,082</u>	<u>77,012</u>	<u>80,791</u>	<u>42,017</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	19,264	4,186		10,164
Reserved for Notes Receivable				
Reserved for Inventory of Supplies and Materials	5,099			
Reserved for Property Taxes	30,661		3,069	
Reserved for Budget Stabilization	12,507			
Unreserved	34,714	58,906	133,385	64,843
Total Fund Equity (Deficit) and Other Credits	<u>102,245</u>	<u>63,092</u>	<u>136,454</u>	<u>75,007</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,395,327</u>	<u>\$140,104</u>	<u>\$217,245</u>	<u>\$117,024</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$2,530	\$34,445			\$492,850
	46,421			367
				46,421
				952,360
				238,645
1,164				3,525
				193,473
	4,800			4,800
	339			2,455
				6,897
37				5,136
3,056				3,056
				12,507
15,444		\$5,207,872		5,223,316
			\$136,454	136,454
			2,146,329	2,146,329
<u>22,231</u>	<u>86,005</u>	<u>5,207,872</u>	<u>2,282,783</u>	<u>9,468,591</u>
				10,320
4,572				318,091
12,006			35,671	121,017
	29,402			29,402
1,432	339			1,071,461
5,678			292,112	323,823
			1,955,000	1,955,000
<u>23,688</u>	<u>29,741</u>		<u>2,282,783</u>	<u>3,829,114</u>
		5,207,872		5,207,872
3,200				3,200
(4,657)				(4,657)
				33,614
	4,800			4,800
				5,099
				33,730
				12,507
	51,464			343,312
<u>(1,457)</u>	<u>56,264</u>	<u>5,207,872</u>		<u>5,639,477</u>
<u>\$22,231</u>	<u>\$86,005</u>	<u>\$5,207,872</u>	<u>\$2,282,783</u>	<u>\$9,468,591</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$834,033		\$79,836			\$913,869
Income Taxes	543,312					543,312
Tuition and Fees	14,612					14,612
Interest	63,118		8,695	\$1,980	\$1,581	75,374
Increase in Fair Value of Investments					341	341
Intergovernmental	2,071,354	\$255,161	10,728	68,483		2,405,726
Extracurricular Activities		78,760				78,760
Rent	803					803
Gifts and Donations		5,570				5,570
Miscellaneous	12,869	1,506				14,375
Total Revenues	<u>3,540,101</u>	<u>340,997</u>	<u>99,259</u>	<u>70,463</u>	<u>1,922</u>	<u>4,052,742</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,827,763	168,246		28,500		2,024,509
Special	270,821	66,788				337,609
Vocational	57,255	1,000				58,255
Support Services:						
Pupils	96,156					96,156
Instructional Staff	218,144	6,477		1,000		225,621
Board of Education	5,920					5,920
Administration	413,119	35,003				448,122
Fiscal	139,454	59	1,361			140,874
Business	600					600
Operation and Maintenance of Plant	286,899	638				287,537
Pupil Transportation	198,595					198,595
Central		1,345				1,345
Operation of Non-Instructional Services		4,900			2,000	6,900
Extracurricular Activities	87,739	45,106				132,845
Debt Service:						
Principal Retirement	1,241		70,000			71,241
Interest and Fiscal Charges	339		104,475			104,814
Total Expenditures	<u>3,604,045</u>	<u>329,562</u>	<u>175,836</u>	<u>29,500</u>	<u>2,000</u>	<u>4,140,943</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,944)</u>	<u>11,435</u>	<u>(76,577)</u>	<u>40,963</u>	<u>(78)</u>	<u>(88,201)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	285					285
Operating Transfers - In			80,000			80,000
Operating Transfers - Out	(81,261)					(81,261)
Total Other Financing Sources (Uses)	<u>(80,976)</u>		<u>80,000</u>			<u>(976)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(144,920)</u>	<u>11,435</u>	<u>3,423</u>	<u>40,963</u>	<u>(78)</u>	<u>(89,177)</u>
Fund Balances at Beginning of Year - Restated (Note 3)	253,008	51,657	133,031	34,044	56,342	528,082
Decrease in Reserve for Inventory	(5,843)					(5,843)
Fund Balances at End of Year	<u>\$102,245</u>	<u>\$63,092</u>	<u>\$136,454</u>	<u>\$75,007</u>	<u>\$56,264</u>	<u>\$433,062</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$828,050	\$828,050				
Income Taxes	516,062	516,062				
Tuition and Fees	14,612	14,612				
Interest	62,709	62,709				
Intergovernmental	2,071,605	2,072,905	\$1,300	\$251,315	\$255,018	\$3,703
Extracurricular Activities				79,122	79,122	
Rent	803	803				
Gifts and Donations				5,570	5,570	
Miscellaneous	691	691		3,526	3,526	
Total Revenues	<u>3,494,532</u>	<u>3,495,832</u>	<u>1,300</u>	<u>339,533</u>	<u>343,236</u>	<u>3,703</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,875,544	1,813,941	61,603	188,504	171,779	16,725
Special	236,904	267,416	(30,512)	72,432	66,668	5,764
Vocational	59,972	57,516	2,456	3,000	1,000	2,000
Support Services:						
Pupils	112,675	111,752	923			
Instructional Staff	229,357	214,885	14,472	3,276	3,451	(175)
Board of Education	5,906	5,994	(88)			
Administration	399,860	417,505	(17,645)	41,517	35,906	5,611
Fiscal	135,973	138,524	(2,551)			
Business	2,100	600	1,500			
Operation and Maintenance of Plant	268,956	297,221	(28,265)	638	638	
Pupil Transportation	176,505	260,261	(83,756)			
Central				3,674	1,345	2,329
Operation of Non-Instructional Services	150,928		150,928	4,553	4,900	(347)
Extracurricular Activities	88,407	86,931	1,476	48,201	45,574	2,627
Capital Outlay						
Debt Service:						
Principal Retirement	37,144	37,144				
Interest and Fiscal Charges	1,768	1,768				
Total Expenditures	<u>3,781,999</u>	<u>3,711,458</u>	<u>70,541</u>	<u>365,795</u>	<u>331,261</u>	<u>34,534</u>
Excess of Revenues Over (Under) Expenditures	<u>(287,467)</u>	<u>(215,626)</u>	<u>71,841</u>	<u>(26,262)</u>	<u>11,975</u>	<u>38,237</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	285	285				
Refund of Prior Year Expenditures	12,268	12,268		55	55	
Advances - In	5,003	5,003				
Advances - Out				(5,003)	(5,003)	
Operating Transfers - In						
Operating Transfers - Out	(80,000)	(81,261)	1,261			
Total Other Financing Sources (Uses)	<u>(62,444)</u>	<u>(63,705)</u>	<u>1,261</u>	<u>(4,948)</u>	<u>(4,948)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(349,911)	(279,331)	70,580	(31,210)	7,027	38,237
Fund Balances at Beginning of Year	432,239	432,239		41,507	41,507	
Prior Year Encumbrances Appropriated	43,052	43,052		8,529	8,529	
Fund Balances (Deficit) at End of Year	<u>\$125,380</u>	<u>\$195,960</u>	<u>\$70,580</u>	<u>\$18,826</u>	<u>\$57,063</u>	<u>\$38,237</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$10,918	\$79,234	\$68,316						
8,695	8,695		\$1,980	\$1,980		\$177	\$177	
79,688	10,728	(68,960)	52,000	52,000				
<u>99,301</u>	<u>98,657</u>	<u>(644)</u>	<u>53,980</u>	<u>53,980</u>		<u>177</u>	<u>177</u>	
			28,500	28,500				
				11,164	(\$11,164)			
1,425	1,361	64						
						53,178	2,000	\$51,178
			35,844		35,844			
70,000	70,000							
237,244	104,475	132,769						
308,669	175,836	132,833	64,344	39,664	24,680	53,178	2,000	51,178
<u>(209,368)</u>	<u>(77,179)</u>	<u>132,189</u>	<u>(10,364)</u>	<u>14,316</u>	<u>24,680</u>	<u>(53,001)</u>	<u>(1,823)</u>	<u>51,178</u>
						3,000	3,000	
80,000	80,000							
<u>80,000</u>	<u>80,000</u>					<u>3,000</u>	<u>3,000</u>	
(129,368)	2,821	132,189	(10,364)	14,316	24,680	(50,001)	1,177	51,178
130,564	130,564		34,044	34,044		49,303	49,303	
<u>\$1,196</u>	<u>\$133,385</u>	<u>\$132,189</u>	<u>\$23,680</u>	<u>\$48,360</u>	<u>\$24,680</u>	<u>(\$698)</u>	<u>\$50,480</u>	<u>\$51,178</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:	
Sales	\$130,147
Other	1,484
Total Operating Revenues	<u>131,631</u>
Operating Expenses:	
Salaries	44,841
Fringe Benefits	19,242
Purchased Services	923
Supplies and Materials	1,151
Cost of Sales	92,181
Depreciation	1,249
Other	1,601
Total Operating Expenses	<u>161,188</u>
Operating Loss	<u>(29,557)</u>
Non-Operating Revenues:	
Federal Donated Commodities	7,457
Federal and State Subsidies	21,681
Interest	89
Total Non-Operating Revenues	<u>29,227</u>
Loss Before Operating Transfers	(330)
Operating Transfers - In	<u>1,261</u>
Net Income	931
Retained Earnings (Deficit) at Beginning of Year	<u>(5,588)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$4,657)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$129,031	\$129,031	
Federal and State Subsidies	24,251	24,251	
Interest	89	89	
Other	1,500	1,500	
Total Revenues	<u>154,871</u>	<u>154,871</u>	
Expenses:			
Salaries	44,500	47,298	(\$2,798)
Fringe Benefits	16,710	17,910	(1,200)
Purchased Services	1,600	923	677
Supplies and Materials	86,140	85,415	725
Other	1,800	1,601	199
Capital Outlay	1,500	455	1,045
Total Expenses	<u>152,250</u>	<u>153,602</u>	<u>(1,352)</u>
Excess of Revenues Over Expenses	2,621	1,269	(1,352)
Operating Transfers - In	<u>1,261</u>	<u>1,261</u>	
Excess of Revenues Over Expenses and Operating Transfers	3,882	2,530	(1,352)
Fund Equity at Beginning of Year			
Fund Equity at End of Year	<u><u>\$3,882</u></u>	<u><u>\$2,530</u></u>	<u><u>(\$1,352)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$129,031
Other Operating Receipts	1,500
Cash Payments for Employee Services and Benefits	(65,208)
Cash Payments to Suppliers for Goods and Services	(86,793)
Other Operating Expenses	(1,601)
Net Cash Used For Operating Activities	(23,071)

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	24,251
Operating Transfers - In	1,261
Net Cash Provided By Noncapital Financing Activities	25,512

Cash Flows from Investing Activities:

Interest	89
Net Cash Provided By Investing Activities	89

Net Increase in Cash and Cash Equivalents 2,530

Cash and Cash Equivalents Beginning of Year _____

Cash and Cash Equivalents End of Year 2,530

**Reconciliation of Operating Loss to Net
Cash Used For Operating Activities:**

Operating Loss (29,557)

Adjustments to Reconcile Operating Loss to

Net Cash Used For Operating Activities:

Depreciation	1,249
Donated Commodities Used	7,457

Changes in Assets and Liabilities:

Increase in Accounts Receivable	(1,100)
Decrease in Inventory of Supplies and Materials	125
Decrease in Inventory Held for Resale	58
Decrease in Accounts Payable	(178)
Increase in Accrued Wages and Benefits Payable	377
Increase in Intergovernmental Payable	1,313
Decrease in Compensated Absences Payable	(2,815)

Net Cash Used For Operating Activities (\$23,071)

See Accompanying Notes to the General Purpose Financial Statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. It is staffed by 33 non-certificated employees, 46 certificated full-time teaching personnel and three administrative employees who provide services to 623 students and other community members. The School District currently operates one instructional-administrative building and one bus garage.

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

Village of Pleasant Hill - The village government of Pleasant Hill is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Type:

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

Enterprise Funds

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund type's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, grants, and reimbursements.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are required to be budgeted and appropriated. The Title III and Preschool Grant Special Revenue Funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

2. Estimated Resources:

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

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, other than the Title III and Preschool Grant Special Revenue Funds and the agency fund, consistent with statutory provisions.

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The balance of various grants administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits of the Miami County Educational Service Center.

Investments that are held separately by the expendable trust funds are recorded on the balance sheet as "Investments in Segregated Accounts."

During fiscal year 2001, investments consisted of STAR Ohio, certificates of deposit, a repurchase agreement, and Dayton Power and Light stock. Except for nonparticipating investment contracts, investments 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2001.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$63,118 which includes \$35,424 assigned from other School District funds.

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

E. Inventory

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

F. Prepaid Items

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

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

H. Estimates

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

J. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases and general obligation bonds are reported as a liability of the General Long-Term Debt Account Group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on General Purpose Financial Statements

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

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". The implementation of these statements did not have a material effect on fund balance.

4. ACCOUNTABILITY

The Title VI-B Special Revenue Fund and the Food Service Enterprise Fund had deficit fund balance/retained earnings at June 30, 2001, of \$119 and \$5,821, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the Food Service Enterprise Fund is the result of operating revenues not supporting operating expenses. In the past, the School District has transferred money from the General Fund to help cover the cost of operations. The School District continues to monitor the situation and make transfers if necessary.

5. BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
- d. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
- e. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- f. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$144,920)	\$11,435	\$3,423	\$40,963	(\$78)
Revenue Accruals	(32,001)	3,680	(602)	(16,483)	2,577
Expenditure Accruals	(56,078)	(734)	0	0	0
Prepaid Items	5,073	0	0	0	0
Principal Payments	(37,144)	0	0	0	0
Decrease in Fair Value of Investments	0	0	0	0	341
Unrecorded Cash	0	0	0	0	(1,663)
Advances	5,003	(5,003)	0	0	0
Excess of Expenditures Over Revenues for Non-Budgeted Funds	0	1,835	0	0	0
Outstanding Encumbrances	(19,264)	(4,186)	0	(10,164)	0
Budget Basis	<u>(\$279,331)</u>	<u>\$7,027</u>	<u>\$2,821</u>	<u>\$14,316</u>	<u>\$1,177</u>

**Net Income/Excess of Revenues Over Expenses
and Operating Transfers All Enterprise Funds**

GAAP Basis	\$931
Revenue Accruals	1,470
Expense Accruals	(937)
Inventory of Supplies and Materials	(125)
Inventory Held for Resale	(58)
Depreciation Expense	1,249
Budget Basis	<u>\$2,530</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 deposited or invested in the following securities:

- a. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or security 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;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. 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;
- f. The State Treasurer's investment pool (STAR Ohio);

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Cash on Hand: At fiscal year end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

At June 30, 2001, the School District had "Cash and Cash Equivalents with Fiscal Agent" in the special revenue funds of \$367. The money is held by the Miami County Educational Service Center, which is the fiscal agent of several other School Districts, and cannot be classified by risk under GASB Statement No. 3. The classification for the Miami County Education Service Center as a whole can be obtained by writing to Carol Forsythe, who serves as Treasurer, at 510 West Water Street, Troy, Ohio 45373.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$178,172 and the bank balance was \$271,898. Of the bank balance:

- 1. \$147,308 was covered by federal depository insurance; and
- 2. \$124,590 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The School District's investments at year-end consisted of STAR Ohio, a repurchase agreement, and Dayton Power and Light stock. STAR Ohio is an unclassified investment, with a fair value and carrying value of \$263,622. The repurchase agreement is a Category 3 investment, with both a fair and carrying value of \$108,363. The stock is a Category 1 investment, with both a fair and carrying value of \$1,321.

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$505,724	\$46,421
Cash on Hand	(300)	0
Cash and Cash Equivalents with Fiscal Agent	(367)	0
Investments:		
Certificate of Deposit	45,100	(45,100)
Repurchase Agreement	(108,363)	108,363
STAR Ohio	(263,622)	263,622
GASB Statement 3	<u>\$178,172</u>	<u>\$373,306</u>

7 PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

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

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$42,398,210	94%	\$43,012,870	95%
Public Utility - Real	2,097,700	5	1,744,670	4
Tangible Personal Property	639,260	1	494,300	1
Total Assessed Value	<u>\$45,135,170</u>	<u>100%</u>	<u>\$45,251,840</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$37.80		\$37.80	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$30,661 in the General Fund and \$3,069 in the Bond Retirement Debt Service Fund.

8. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$543,312 was credited to the General Fund during fiscal year 2001.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees), notes receivable (scholarship reimbursements), accrued interest, and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
E-Rate	\$1,766
School Bus Purchase	55,000
Total General Fund	56,766
Special Revenue Funds:	
Title III	202
Title VI-R	657
Drug-Free Schools	846
Reading Excellence Act	76,502
Total Special Revenue Funds	78,207
Capital Projects Fund:	
Interactive Video Distance Learning	58,500
Total Intergovernmental Receivables	\$193,473

The School District has several notes receivable with students. These notes are for educational loans which are required to be repaid. At June 30, 2001, the total amount of notes receivable in the expendable trust funds was \$4,800.

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$29,791
Less: Accumulated Depreciation	(14,347)
Net Fixed Assets	\$15,444

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

Asset Category	Balance 6/30/00	Additions	Deletions	Balance 6/30/01
Land and Improvements	\$203,933	\$0	\$0	\$203,933
Buildings and Improvements	3,614,018	0	0	3,614,018
Furniture, Fixtures and Equipment	992,250	71,105	36,471	1,026,884
Vehicles	340,066	57,871	34,900	363,037
Totals	\$5,150,267	\$128,976	\$71,371	\$5,207,872

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for general and fleet insurance and with Indiana Insurance for inland marine, crime, and property insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,928,094
Inland Marine Coverage (\$100 deductible)	468,724
Crime Insurance	2,000,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$200 deductible)	
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$20,521, \$25,124, and \$32,608, respectively; 34 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$13,463 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$197,766, \$112,743, and \$96,890, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$31,741 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

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

13. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$93,678 for fiscal year 2001.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$58,828.

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 185 days for all personnel. Upon retirement, payment is made for 32.4 percent of total sick leave accumulation up to a maximum of 60 days for all employees with ten or more years of current service with the School District.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life. Medical/surgical benefits are provided by Anthem Blue Cross\Blue Shield and Life Investors Insurance Company of America.

15. CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of band instruments and equipment have been capitalized in the general fixed assets account group in the amount of \$5,533. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Debt Account Group. Principal payments in fiscal year 2001 totaled \$1,241 in the General Fund. The leases were paid off in fiscal year 2001.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. FUND OBLIGATION

The change in the School District's fund obligation for fiscal year 2001, is as follows:

	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
Energy Conservation Loan 1993 4.75%	\$37,144	\$0	\$37,144	\$0

On August 2, 1993, Newton Local School District received \$217,144 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the Newton Local School District, under authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued for a seven year period with final maturity during fiscal year 2001.

17. LONG-TERM OBLIGATIONS

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

	<u>Amount Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/01</u>
School Improvement				
Bonds 1998 5.25%	\$2,025,000	\$0	\$70,000	\$1,955,000
Intergovernmental Payable	39,304	35,671	39,304	35,671
Compensated Absences	288,970	3,142	0	292,112
Capital Leases	1,241	0	1,241	0
Total General Long-Term Obligations	<u>\$2,354,515</u>	<u>\$38,813</u>	<u>\$110,545</u>	<u>\$2,282,783</u>

School Improvement Bonds - On February 15, 1998, the School District issued bonds in the amount of \$2,150,000. The bonds were issued for the purpose of an addition and improvements to the School District. The bonds were issued for a nineteen year period with final maturity during fiscal year 2017. The bonds will be paid from the Bond Retirement Debt Service Fund.

The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire the School Improvement Bonds at June 30, 2001, are as follows:

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$75,000	\$100,669	\$175,669
2003	80,000	96,600	176,600
2004	85,000	92,269	177,269
2005	90,000	87,675	177,675
2006	95,000	82,819	177,819
2007 - 2011	575,000	329,832	904,832
2012 - 2016	775,000	153,172	928,172
2017	180,000	4,725	184,725
Total	<u>\$1,955,000</u>	<u>\$947,761</u>	<u>\$2,902,761</u>

The School District's overall legal debt margin was \$2,254,120, with an unvoted debt margin of \$45,252 at June 30, 2001.

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newton Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$104,059	\$27,572	\$131,631
Depreciation Expense	1,249	0	1,249
Operating Income (Loss)	(29,590)	33	(29,557)
Federal Donated Commodities	7,457	0	7,457
Federal and State Subsidies	21,681	0	21,681
Operating Transfers - In	0	1,261	1,261
Net Income (Loss)	(363)	1,294	931
Net Working Capital (Deficit)	(12,387)	1,164	(11,223)
Total Assets	21,067	1,164	22,231
Long-Term Portion Compensated Absences	5,678	0	5,678
Total Equity (Deficit)	(2,621)	1,164	(1,457)

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$14,392 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2001, the Newton Local School District paid \$242,812 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2001, the School District paid \$717 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the 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.

20. CONTINGENCIES

A. Grants

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

21. SET-ASIDE CALCULATIONS

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

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

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. SET-ASIDE CALCULATIONS (Continued)

	<u>Budget Stabilization</u>	<u>Capital Improvements</u>	<u>Textbooks/ Instructional Materials</u>
Set-aside Reserve Balance as of June 30, 2000	\$66,531	\$0	(\$22,007)
Reduction in Requirement Based on Revised Legislation	(54,024)	0	0
Current Year Set-aside Requirement	0	82,867	82,867
Offsets	0	(79,242)	0
Qualifying Disbursements	0	(3,625)	(94,649)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$12,507</u>	<u>\$0</u>	<u>(\$33,789)</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$12,507</u>	<u>\$0</u>	<u>\$0</u>

The School District had offsets during the prior fiscal year that reduced the textbooks/instructional materials set-aside below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. Amounts of qualifying disbursements presented in the table for the capital improvements set-aside were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional qualifying disbursements during the year, those extra amounts may not be used to reduce the set-aside requirement in future fiscal years.

22. SUBSEQUENT EVENTS

A. State School Funding Decision

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. SUBSEQUENT EVENTS (Continued)

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

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

B. Leases

In July of 2001, the School District entered into two leases. The first lease is a four-year lease for band equipment with annual payments of \$3,479, and a bargain purchase option at the end of the lease. The second lease is a five-year lease for copiers with annual payments of \$13,500.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$408,760	\$50,035	\$130,563	\$34,044
Cash and Cash Equivalents with Fiscal Agent Investments		2,202		
Receivables:				
Property and Other Taxes	838,124		80,035	
Income Taxes	180,620			
Accounts	2,173	2,663		
Intergovernmental	250	4,248		
Notes				
Accrued Interest	1,707			
Interfund	5,003			
Prepaid Items	1,824			
Inventory of Supplies and Materials	10,942			
Inventory Held for Resale				
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	66,531			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>1,515,934</u>	<u>59,148</u>	<u>210,598</u>	<u>34,044</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	20,727	699		
Accrued Wages and Benefits Payable	297,527	263		
Intergovernmental Payable	84,836	226		
Interfund Payable		5,003		
Due To Students				
Deferred Revenue	815,379		77,567	
Compensated Absences Payable	6,996			
Accrued Interest Payable	1,617			
Energy Conservation Loan Payable	37,144			
Capital Leases Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,264,226</u>	<u>6,191</u>	<u>77,567</u>	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	25,296	7,830		
Reserved for Notes Receivable				
Reserved for Inventory of Supplies and Materials	10,942			
Reserved for Property Taxes	24,678		2,468	
Reserved for Budget Stabilization	66,531			
Unreserved, Undesignated	124,261	45,127	130,563	34,044
Total Fund Equity (Deficit) and Other Credits	<u>251,708</u>	<u>52,957</u>	<u>133,031</u>	<u>34,044</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,515,934</u>	<u>\$59,148</u>	<u>\$210,598</u>	<u>\$34,044</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
	\$38,932			\$662,334
	38,022			2,202
				38,022
				918,159
				180,620
\$64				4,900
2,570				7,068
	7,800			7,800
	259			1,966
				5,003
				1,824
162				11,104
3,770				3,770
				66,531
16,693		\$5,150,267		5,166,960
			\$133,031	133,031
			2,221,484	2,221,484
<u>23,259</u>	<u>85,013</u>	<u>5,150,267</u>	<u>2,354,515</u>	<u>9,432,778</u>
178				21,604
4,195				301,985
10,693			39,304	135,059
				5,003
	28,671			28,671
2,088				895,034
5,285			288,970	301,251
				1,617
				37,144
			1,241	1,241
			2,025,000	2,025,000
<u>22,439</u>	<u>28,671</u>		<u>2,354,515</u>	<u>3,753,609</u>
		5,150,267		5,150,267
3,200				3,200
(2,380)				(2,380)
				33,126
	7,800			7,800
				10,942
				27,146
				66,531
	48,542			382,537
<u>820</u>	<u>56,342</u>	<u>5,150,267</u>		<u>5,679,169</u>
<u>\$23,259</u>	<u>\$85,013</u>	<u>\$5,150,267</u>	<u>\$2,354,515</u>	<u>\$9,432,778</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Property and Other Taxes	\$818,590		\$77,884			\$896,474
Income Taxes	497,723					497,723
Tuition and Fees	21,390					21,390
Interest	52,107		8,234	\$14,126	\$2,058	76,525
Decrease in Fair Value of Investments					(300)	(300)
Intergovernmental	1,903,218	\$140,325	10,597	11,258		2,065,398
Extracurricular Activities		78,045				78,045
Rent	202					202
Gifts and Donations		8,400				8,400
Miscellaneous	2,701	493			200	3,394
Total Revenues	<u>3,295,931</u>	<u>227,263</u>	<u>96,715</u>	<u>25,384</u>	<u>1,958</u>	<u>3,647,251</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,691,833	34,876				1,726,709
Special	197,504	67,054				264,558
Vocational	55,834	3,608				59,442
Support Services:						
Pupils	156,108					156,108
Instructional Staff	223,970	4,121				228,091
Board of Education	6,569					6,569
Administration	386,366	49,310				435,676
Fiscal	142,534		1,391			143,925
Business	1,060					1,060
Operation and Maintenance of Plant	277,435	638				278,073
Pupil Transportation	225,781					225,781
Central		286				286
Operation of Non-Instructional Services		3,900				3,900
Extracurricular Activities	77,732	58,932				136,664
Capital Outlay				963,456		963,456
Debt Service:						
Principal Retirement	1,078		65,000			66,078
Interest and Fiscal Charges	2,230		108,019			110,249
Total Expenditures	<u>3,446,034</u>	<u>222,725</u>	<u>174,410</u>	<u>963,456</u>		<u>4,806,625</u>
Excess of Revenues Over (Under) Expenditures	(150,103)	4,538	(77,695)	(938,072)	1,958	(1,159,374)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,738			30,000		31,738
Operating Transfers - In			80,000	68,450		148,450
Operating Transfers - Out	(154,389)					(154,389)
Total Other Financing Sources (Uses)	<u>(152,651)</u>		<u>80,000</u>	<u>98,450</u>		<u>25,799</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(302,754)	4,538	2,305	(839,622)	1,958	(1,133,575)
Fund Balances at Beginning of Year	553,619	48,419	130,726	873,666	54,384	1,660,814
Increase in Reserve for Inventory	843					843
Fund Balances at End of Year	<u>\$251,708</u>	<u>\$52,957</u>	<u>\$133,031</u>	<u>\$34,044</u>	<u>\$56,342</u>	<u>\$528,082</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$827,605	\$837,450	\$9,845			
Income Taxes	535,000	501,405	(33,595)			
Tuition and Fees	20,475	22,113	1,638			
Interest	60,000	52,249	(7,751)			
Intergovernmental	1,908,948	1,954,341	45,393	\$79,301	\$132,909	\$53,608
Extracurricular Activities				70,000	77,457	7,457
Rent		202	202			
Gifts and Donations					6,400	6,400
Miscellaneous		2,461	2,461	150	418	268
Total Revenues	<u>3,352,028</u>	<u>3,370,221</u>	<u>18,193</u>	<u>149,451</u>	<u>217,184</u>	<u>67,733</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,714,725	1,701,511	13,214	22,036	40,590	(18,554)
Special	213,915	194,497	19,418	63,043	67,130	(4,087)
Vocational	61,630	54,956	6,674		3,608	(3,608)
Support Services:						
Pupils	154,820	149,691	5,129			
Instructional Staff	254,885	225,232	29,653	2,874	2,874	
Board of Education	6,300	6,527	(227)			
Administration	371,250	385,850	(14,600)	41,540	49,483	(7,943)
Fiscal	145,495	140,575	4,920			
Business	2,000	1,060	940			
Operation and Maintenance of Plant	307,375	312,772	(5,397)		638	(638)
Pupil Transportation	244,241	229,895	14,346			
Central				1,503	321	1,182
Operation of Non-Instructional Services					3,900	(3,900)
Extracurricular Activities	88,570	81,280	7,290	65,076	87,491	(22,415)
Capital Outlay	308,262		308,262			
Debt Service:						
Principal Retirement	30,000	30,000				
Interest and Fiscal Charges	4,500	3,185	1,315			
Total Expenditures	<u>3,907,968</u>	<u>3,517,031</u>	<u>390,937</u>	<u>196,072</u>	<u>256,035</u>	<u>(59,963)</u>
Excess of Revenues Under Expenditures	<u>(555,940)</u>	<u>(146,810)</u>	<u>409,130</u>	<u>(46,621)</u>	<u>(38,851)</u>	<u>7,770</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets		1,738	1,738			
Refund of Prior Year Expenditures	514	514			232	232
Advances - In	11,258	11,258			5,003	5,003
Advances - Out		(5,003)	(5,003)			
Operating Transfers - In						
Operating Transfers - Out	(171,000)	(154,389)	16,611			
Total Other Financing Sources (Uses)	<u>(159,228)</u>	<u>(145,882)</u>	<u>13,346</u>		<u>5,235</u>	<u>5,235</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(715,168)</u>	<u>(292,692)</u>	<u>422,476</u>	<u>(46,621)</u>	<u>(33,616)</u>	<u>13,005</u>
Fund Balances at Beginning of Year	715,169	715,169		46,619	46,619	
Prior Year Encumbrances Appropriated	9,762	9,762		28,503	28,503	
Fund Balances at End of Year	<u>\$9,763</u>	<u>\$432,239</u>	<u>\$422,476</u>	<u>\$28,501</u>	<u>\$41,506</u>	<u>\$13,005</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$78,736	\$79,692	\$956						
4,500	8,234	3,734	\$15,300	\$14,126	(\$1,174)	\$1,675	\$1,923	\$248
10,812	10,597	(215)	11,258	11,258				
<u>94,048</u>	<u>98,523</u>	<u>4,475</u>	<u>26,558</u>	<u>25,384</u>	<u>(1,174)</u>	<u>1,675</u>	<u>1,923</u>	<u>248</u>
1,450	1,391	59						
						50,855	2,000	48,855
			1,085,104	1,316,310	(231,206)			
65,000	65,000							
<u>234,048</u>	<u>108,019</u>	<u>126,029</u>						
<u>300,498</u>	<u>174,410</u>	<u>126,088</u>	<u>1,085,104</u>	<u>1,316,310</u>	<u>(231,206)</u>	<u>50,855</u>	<u>2,000</u>	<u>48,855</u>
<u>(206,450)</u>	<u>(75,887)</u>	<u>130,563</u>	<u>(1,058,546)</u>	<u>(1,290,926)</u>	<u>(232,380)</u>	<u>(49,180)</u>	<u>(77)</u>	<u>49,103</u>
			30,000	30,000				
						3,000	3,200	200
			(11,258)	(11,258)				
80,000	80,000		80,000	68,450	(11,550)			
<u>80,000</u>	<u>80,000</u>		<u>98,742</u>	<u>87,192</u>	<u>(11,550)</u>	<u>3,000</u>	<u>3,200</u>	<u>200</u>
(126,450)	4,113	130,563	(959,804)	(1,203,734)	(243,930)	(46,180)	3,123	49,303
126,450	126,450		959,803	959,803		46,180	46,180	
			<u>277,975</u>	<u>277,975</u>				
<u>\$0</u>	<u>\$130,563</u>	<u>\$130,563</u>	<u>\$277,974</u>	<u>\$34,044</u>	<u>(\$243,930)</u>	<u>\$0</u>	<u>\$49,303</u>	<u>\$49,303</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues:	
Sales	\$127,252
Other	1,551
Total Operating Revenues	<u>128,803</u>
 Operating Expenses:	
Salaries	44,064
Fringe Benefits	15,611
Purchased Services	2,335
Supplies and Materials	1,282
Cost of Sales	97,465
Depreciation	1,249
Other	2,022
Total Operating Expenses	<u>164,028</u>
 Operating Loss	 <u>(35,225)</u>
 Non-Operating Revenues:	
Federal Donated Commodities	7,849
Federal and State Subsidies	24,132
Interest	40
Total Non-Operating Revenues	<u>32,021</u>
 Loss Before Operating Transfers	 (3,204)
 Operating Transfers - In	 <u>5,939</u>
 Net Income	 2,735
 Retained Earnings (Deficit) at Beginning of Year	 <u>(5,115)</u>
 Retained Earnings (Deficit) at End of Year	 <u><u>(\$2,380)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$106,500	\$127,205	\$20,705
Federal and State Subsidies	20,300	24,665	4,365
Interest	150	40	(110)
Other		1,573	1,573
Total Revenues	<u>126,950</u>	<u>153,483</u>	<u>26,533</u>
Expenses:			
Salaries	45,750	46,214	(464)
Fringe Benefits	16,417	16,836	(419)
Purchased Services	1,440	2,335	(895)
Supplies and Materials	62,443	90,994	(28,551)
Other	900	2,022	(1,122)
Capital Outlay		1,244	(1,244)
Total Expenses	<u>126,950</u>	<u>159,645</u>	<u>(32,695)</u>
Excess of Revenues Under Expenses		(6,162)	(6,162)
Operating Transfers - In		<u>5,939</u>	<u>5,939</u>
Excess of Revenues Under Expenses and Operating Transfers		(223)	(223)
Fund Equity at Beginning of Year			
Prior Year Encumbrances Appropriated	<u>223</u>	<u>223</u>	
Fund Equity at End of Year	<u><u>\$223</u></u>	<u><u>\$0</u></u>	<u><u>(\$223)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$127,205
Other Operating Receipts	1,573
Cash Payments for Employee Services and Benefits	(63,050)
Cash Payments to Suppliers for Goods and Services	(93,389)
Other Operating Expenses	(2,022)
Net Cash Used For Operating Activities	(29,683)

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	24,665
Operating Transfers - In	5,939
Net Cash Provided By Noncapital Financing Activities	30,604

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(1,184)
Net Cash Used For Capital and Related Financing Activities	(1,184)

Cash Flows from Investing Activities:

Interest	40
Net Cash Provided By Investing Activities	40

Net Decrease in Cash and Cash Equivalents (223)

Cash and Cash Equivalents Beginning of Year 223

Cash and Cash Equivalents End of Year **\$0**

Reconciliation of Operating Loss to Net

Cash Used For Operating Activities:

Operating Loss (\$35,225)

Adjustments to Reconcile Operating Loss to

Net Cash Used For Operating Activities:

Depreciation	1,249
Donated Commodities Received	7,849
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(26)
Decrease in Inventory of Supplies and Materials	42
Increase in Inventory Held for Resale	(375)
Increase in Accounts Payable	178
Increase in Accrued Wages and Benefits Payable	191
Increase in Intergovernmental Payable	1,020
Decrease in Compensated Absences Payable	(4,586)
Net Cash Used For Operating Activities	(\$29,683)

Non-Cash Transactions:

During fiscal year 2000, the General Fund purchased equipment with a fair market value of \$3,200 for the Food Service Enterprise Fund.

See Accompanying Notes to the General Purpose Financial Statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. It is staffed by 32 non-certificated employees, 43 certificated full-time teaching personnel and 3 administrative employees who provide services to 621 students and other community members. The School District currently operates 1 instructional-administrative building and 1 bus garage.

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

Village of Pleasant Hill - The village government of Pleasant Hill is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the School District's proprietary fund type:

Enterprise Funds

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, tuition, grants, student fees, and scholarship reimbursements.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts receivable, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Teacher Development, Title III, and Preschool Grant Special Revenue Funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

2. Estimated Resources:

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

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, no supplemental appropriations were legally enacted.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, except the expendable trust funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Investments that are held separately by the expendable trust funds are recorded on the balance sheet as "investments."

The balance of various grants administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits of the Miami County Educational Service Center.

During fiscal year 2000, investments consisted of STAR Ohio, certificates of deposit, and Dayton Power and Light stock.

Except for nonparticipating investment contracts, investments 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, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$52,107 which includes \$12,343 assigned from other School District funds. The Debt Service, Capital Projects, Expendable Trust, and Enterprise Funds also earned interest in the amounts of \$8,234, \$14,126, \$2,058, and \$40, respectively.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization.

H. Estimates

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

I. Fixed Assets and Depreciation

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development
- Education Management Information Systems
- Title I
- Title III
- Title VI
- Title VI-B
- Title VI-R
- Reading Excellence
- Instructional Materials Subsidy
- Preschool Grant
- Schoolnet Professional Development
- Ohio Reads Grant
- Safe School Helpline Grant
- School Conflict Management Grant

Capital Projects Funds

- Schoolnet Plus
- Technology Equity
- Emergency Building Repair

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education

Special Revenue Funds

Telecom (E-rate) Grant

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 57 percent of governmental fund operating revenue during the 2000 fiscal year.

K. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases and general obligation bonds are reported as a liability of the General Long-Term Debt Account Group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Contributed Capital

Contributed capital represents donations by private sources, resources from other funds, grants restricted for capital construction, and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

N. Fund Balance Reserves

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

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

O. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

The following funds had deficit fund balance/retained earnings at June 30, 2000:

<u>Fund</u>	<u>Amount</u>
Special Revenue Fund:	
Title VI-B	\$116
Enterprise Funds:	
Food Service	2,250
Uniform School Supplies	130

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

The District was in violation of Ohio Rev. Code Section 5705-41(b), as of June 30, 2000, since expenditures exceeded the amounts appropriated in the following funds and amounts at the legal level of control which is at the fund, function, and object level: Building Capital Project Fund \$263,919, Food Service Fund \$27,585, Uniform School Supplies Fund \$5,109, District Managed Activity Fund \$19,571, and the Ohio Reads Fund \$32,000.

4. BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
- d. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
- e. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- f. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- g. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$302,754)	\$4,538	\$2,305	(\$839,622)	\$1,958
Revenue Accruals	74,804	(6,679)	1,808	0	3,165
Expenditure Accruals	285	(26,985)	0	(352,854)	(2,000)
Prepaid Items	1,770	0	0	0	0
Principal Payments	(30,000)	0	0	0	0
Advances	6,255	5,003	0	(11,258)	0
Excess of Revenues Over Expenditures for Non-Budgeted Funds	0	(964)	0	0	0
Encumbrances	(43,052)	(8,529)	0	0	0
Budget Basis	<u>(\$292,692)</u>	<u>(\$33,616)</u>	<u>\$4,113</u>	<u>(\$1,203,734)</u>	<u>\$3,123</u>

**Net Income/Excess of Revenues Under Expenses
and Operating Transfers All Enterprise Funds**

GAAP Basis	\$2,735
Revenue Accruals	508
Expense Accruals	(3,198)
Inventory of Supplies and Materials	(42)
Inventory Held for Resale	375
Acquisition of Capital Assets	(1,184)
Depreciation Expense	1,249
Budget Basis	<u>(\$223)</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 deposited or invested in the following securities:

- a. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or security 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;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. 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;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$2,202 shown in the special revenue funds is maintained with the Miami County Educational Service Center, therefore, this is not included in the deposits for Newton Local School District. GASB 3 disclosures regarding this amount can be obtained from the Educational Service Center's annual report.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$386,625 and the bank balance was \$445,289. Of the bank balance:

1. \$143,544 was covered by federal depository insurance; and
2. \$301,745 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

The School District's investments at year-end consisted of STAR Ohio and Dayton Power and Light stock. STAR Ohio is an unclassified investment, with a fair value of \$378,982. The stock is a Category 1 investment, with a fair value of \$980.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$731,067	\$38,022
Cash on Hand	(300)	0
Cash and Cash Equivalents with Fiscal Agent	(2,202)	0
Investments:		
Certificate of Deposit	37,042	(37,042)
STAR Ohio	(378,982)	378,982
GASB Statement 3	\$386,625	\$379,962

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

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

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

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$41,750,840	94%	\$42,398,210	94%
Public Utility	2,117,620	5	2,097,700	5
Tangible Personal Property	583,840	1	639,260	1
Total Assessed Value	<u>\$44,452,300</u>	<u>100%</u>	<u>\$45,135,170</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$37.80		\$37.80	

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$24,678 in the General Fund and \$2,468 in the Bond Retirement Debt Service Fund.

7. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$497,723 was credited to the General Fund during fiscal year 2000.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (student fees), notes receivable (scholarship reimbursements), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Driver Education	\$250
Special Revenue Funds	
Title I	2,948
Telecom (E-rate) Grant	1,300
Total Special Revenue Funds	4,248
Enterprise Fund	
National School Lunch Program	2,570
Total Intergovernmental Receivables	\$7,068

The School District has several notes receivable with students. These notes are for scholarships which are required to be repaid. At June 30, 2000, the total amount of notes receivable in the expendable trust funds was \$7,800.

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$29,791
Less: Accumulated Depreciation	(13,098)
Net Fixed Assets	\$16,693

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance 6/30/00
Land and Improvements	\$203,933	\$0	\$0	\$203,933
Buildings and Improvements	1,176,596	2,493,064	55,642	3,614,018
Furniture, Fixtures and Equipment	950,725	43,024	1,499	992,250
Vehicles	316,612	55,204	31,750	340,066
Construction In Progress	1,185,797	1,302,972	2,488,769	0
Totals	\$3,833,663	\$3,894,264	\$2,577,660	\$5,150,267

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for general and fleet insurance and with Indiana Insurance for property insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,784,907
Inland Marine Coverage (\$100 deductible)	468,724
Boiler and Machinery (\$1,000 deductible)	100,000
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$200 deductible)	2,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompMangement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current school district rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$25,124, \$32,608, and \$56,818, respectively; 40 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$14,977 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$112,743, \$96,890, and \$250,541, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$19,615 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining three Board members contribute to the School Employees Retirement System.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$150,325 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent over fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$49,643.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 185 days for all personnel. Upon retirement, payment is made for 30.3 percent of total sick leave accumulation up to a maximum of 56 days for all employees with ten or more years of current service with the School District.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life. Medical/surgical benefits are provided by Anthem Blue Cross\Blue Shield and Life Investors Insurance Company of America.

14. CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of band instruments and equipment have been capitalized in the general fixed assets account group in the amount of \$5,533. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Debt Account Group. Principal payments in fiscal year 2000 totaled \$1,078 in the General Fund.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTDAG
2001	\$1,429
Total	1,429
Less: Amount Representing Interest	(188)
Present Value of Net Minimum Lease Payments	\$1,241

15. FUND OBLIGATION

The change in the School District's fund obligation for fiscal year 2000, is as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
Energy Conservation Loan 1993 4.75%	\$67,144	\$0	\$30,000	\$37,144

On August 2, 1993, Newton Local School District received \$217,144 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the Newton Local School District, under authority of the Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued for a seven year period with final maturity during fiscal year 2001. The loan will be repaid with tax revenue from the General Fund.

Principal and interest requirements to retire the energy conservation loan at June 30, 2001 is \$37,144 in principal, and \$1,764 interest for a total of \$38,908.

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
School Improvement Bonds 1998 5.25%	\$2,090,000	\$0	\$65,000	\$2,025,000
Intergovernmental Payable	36,443	39,304	36,443	39,304
Compensated Absences	262,037	26,933	0	288,970
Capital Leases	2,319	0	1,078	1,241
Total General Long-Term Obligations	\$2,390,799	\$66,237	\$102,521	\$2,354,515

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

School Improvement Bonds - On February 15, 1998, the School District issued bonds in the amount of \$2,150,000. The bonds were issued for the purpose of an addition and improvements to the School District. The bonds will be paid from the Bond Retirement Debt Service Fund.

The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital leases will be paid from the General Fund.

Principal and interest requirements to retire the School Improvement Bonds at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	\$70,000	\$104,475	\$174,475
2002	75,000	100,669	175,669
2003	80,000	96,600	176,600
2004	85,000	92,269	177,269
2005	90,000	87,675	177,675
2006 - 2010	540,000	359,101	899,101
2011 - 2015	735,000	192,809	927,809
2016 - 2017	350,000	18,638	368,638
Total	<u>\$2,025,000</u>	<u>\$1,052,236</u>	<u>\$3,077,236</u>

The School District's overall legal debt margin was \$2,170,196, the energy conservation debt margin was \$369,073 with an unvoted debt margin of \$45,135 at June 30, 2000.

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newton Local School District as of and for the fiscal year ended June 30, 2000.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$102,319	\$26,484	\$128,803
Depreciation Expense	1,249	0	1,249
Operating Loss	(34,422)	(803)	(35,225)
Federal Donated Commodities	7,849	0	7,849
Federal and State Subsidies	24,132	0	24,132
Interest	40	0	40
Operating Transfers - In	5,266	673	5,939
Net Income (Loss)	2,865	(130)	2,735
Fixed Asset Additions	1,184	0	1,184
Fixed Asset Deletions	1,762	0	1,762
Current Contributed Capital	3,200	0	3,200
Net Working Capital (Deficit)	(10,458)	(130)	(10,588)
Total Assets	23,211	48	23,259
Long-Term Portion Compensated Absences	5,285	0	5,285
Total Equity (Deficit)	950	(130)	820

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$11,240 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, the Newton Local School District paid \$178,390 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2000, the School District paid \$449 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

19. SCHOOL FUNDING COURT DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

21. SET-ASIDE CALCULATIONS

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

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

	<u>Budget Stabilization</u>	<u>Capital Improvements</u>	<u>Textbooks/ Instructional Materials</u>
Set-aside Reserve Balance as of June 30, 1999	\$39,458	\$0	\$0
Current Year Set-aside Requirement	27,073	81,219	81,219
Current Year Offsets	0	(79,692)	0
Qualifying Disbursements	<u>0</u>	<u>(1,507)</u>	<u>(103,226)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$66,531</u>	<u>\$0</u>	<u>(\$22,007)</u>
Set-aside Reserve Balance as of June 30, 2000	\$66,531	\$0	\$0

The School District had offsets during the fiscal year that reduced the textbooks/instructional materials set-aside below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. Amounts of qualifying disbursements presented in the table for the capital improvements set-aside were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$66,531.

22. INTERFUND ACTIVITY

As of June 30, 2000, there were receivables and payables that resulted from various interfund transactions. The General Fund had an interfund receivable of \$5,003, while the Title I and Title VI Special Revenue Funds had an interfund payable of \$2,948 and \$2,055, respectively.

23. CONTRIBUTED CAPITAL

During fiscal year 2000, the General Fund purchased assets with a fair market value of \$3,200 for the Food Service Enterprise Fund, leaving an ending balance of \$3,200.



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

Newton Local School District
Miami County
201 N. Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the financial statements of Newton Local School District, Miami County (the District) as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated January 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10355-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 4, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10355-002.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 4, 2002.

This report is intended for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 4, 2002

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-10355-001

Citation:

Ohio Rev. Code Section 5705.41(B) prohibits a political subdivision from expending funds until they have been appropriated. The failure to limit expenditures to the amounts appropriated could result in the District spending in excess of the available resources.

Examination of the expenditures and appropriations for June of fiscal year 2000 indicated that the District had certain expenditures plus current year encumbrances that significantly exceeded the prior year encumbrances plus appropriations at the legal level of control which is at the fund, function, and object level. The following funds had expenditures at the fund level that exceeded the amounts appropriated:

Fund	Appropriations Plus Carryover Encumbrances	Expenditures Plus Encumbrances	Unfavorable Variance June 30, 2000
Building Capital Project Fund	\$1,052,391	\$1,316,310	\$263,919
Food Service Fund	104,950	132,535	27,585
Uniform School Supplies Fund	22,000	27,109	5,109
District Managed Activity Fund	65,076	84,647	19,571
Ohio Reads Fund		32,000	32,000

The District should implement procedures to monitor appropriations and expenditures through out the fiscal year to prevent noncompliance with this requirement.

FINDING NUMBER 2001-10355-002

Material Weakness:

Property Plant and Equipment

The District maintains computerized fixed asset records for all items meeting the capitalization threshold purchased by the District. The District's computerized listing of fixed assets did not agree to the amounts reported on the financial statements. Examination of the fixed asset records indicated the following:

- Certain assets were identified on the fixed asset listing as the District's property even though the District had disposed of the items prior to the current audit period, and certain assets purchased by the District prior to the current audit period were not included on the fixed asset listing.
- The District's fixed asset policy does not mention Fixed Asset Disposal Forms. The disposal forms can aide in tracking fixed assets to determine the assets that need to be removed from the fixed asset listing. By not utilizing disposal forms, the District's fixed asset balances could be overstated.

FINDING NUMBER 2001-10355-002
(Continued)

In order to prevent errors from occurring in the amounts presented as fixed assets on the financial statements, the District should verify the presence and classification of the assets shown on their computerized listing by the use of an annual physical inventory. Also, the District should develop procedures to ensure that a Fixed Asset Disposal Form is utilized for all fixed asset deletions. These procedures will aid in preventing misstatements of the financial statements by improving the accuracy of the District's computerized fixed asset listing.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

Finding Number	Finding Summary	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1999-10355-001	ORC 5705.41(b) Expenditures in excess of the amounts appropriated.	No	Citation Re-issued as finding 2001-10355-001.
1999-10355-002	ORC 5705.39 Appropriations in excess of estimated resources	Yes	N/A



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NEWTON LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2002**