



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	20
Statement of Net Assets – Proprietary Fund.....	21
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund.....	22
Statement of Cash Flows – Proprietary Fund.....	23
Statement of Fiduciary Net Assets – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Assets.....	25
Notes to the Basic Financial Statements.....	27
Schedule of Receipts and Expenditures of Federal Awards.....	59
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	60
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	61
Independent Accountants' Report on Compliance with Requirements Applicable to its Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	63
Schedule of Findings.....	65
Schedule of Prior Audit Findings.....	67

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Newcomerstown Exempted Village School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as described in Note 8, the District restated its capital asset balance due to an increase in its capitalization threshold for capital assets from \$500 to \$5,000 and due to a reappraisal.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

March 11, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The management's discussion and analysis of the Newcomerstown Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$860,571 which represents a 6.34% increase from 2003.
- General revenues accounted for \$8,851,911 in revenue or 83.01% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,812,164 or 16.99% of total revenues of \$10,664,075.
- The District had \$9,803,504 in expenses related to governmental activities; \$1,812,164 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,851,911 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$8,317,667 in revenues, and \$7,929,914 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund deficit decreased \$387,753 from \$715,912 to \$328,159.
- The District's debt service fund had \$364,719 in revenues and \$311,677 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$53,042 from \$404,599 to \$457,641.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-58 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	<b>Net Assets</b>
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 3,838,315
Capital assets	<u>18,529,496</u>
Total assets	<u>22,367,811</u>
<b><u>Liabilities</u></b>	
Current liabilities	3,445,049
Long-term liabilities	<u>4,487,644</u>
Total liabilities	<u>7,932,693</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	14,518,900
Restricted	824,373
Unrestricted (deficit)	<u>(908,155)</u>
Total net assets	<u>\$ 14,435,118</u>

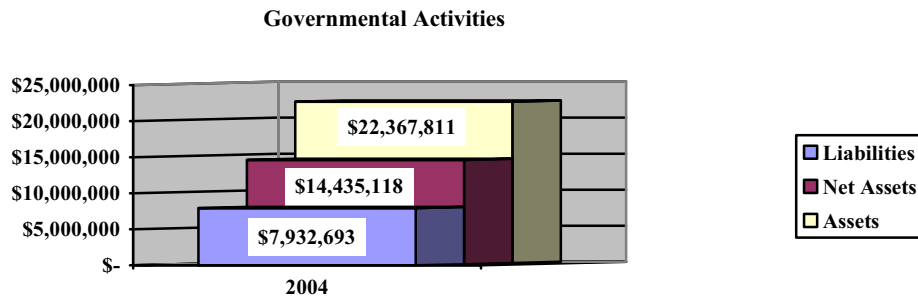
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$14,435,118. Of this total, \$824,373 is restricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

At year-end, capital assets represented 82.84% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$14,518,900. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$824,373, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets is \$908,155.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 453,518
Operating grants and contributions	1,287,335
Capital grants and contributions	71,311
General revenues:	
Property taxes	2,723,872
Grants and entitlements	5,956,532
Investment earnings	8,408
Other	163,099
Total revenues	<u>10,664,075</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 3,944,927
Special	1,120,022
Vocational	133,145
Adult education	177
Other	36,863
Support services:	
Pupil	382,734
Instructional staff	532,862
Board of education	34,076
Administration	805,644
Fiscal	283,951
Operations and maintenance	893,401
Pupil transportation	459,202
Food service operations	535,153
Operations of non-instructional services	764
Extracurricular activities	419,354
Interest and fiscal charges	<u>221,229</u>
Total expenses	<u>9,803,504</u>
Change in net assets	860,571
Net assets at beginning of year	<u>13,574,547</u>
Net assets at end of year	<u><u>\$ 14,435,118</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$860,571. Total governmental expenses of \$9,803,504 were offset by program revenues of \$1,812,164 and general revenues of \$8,851,911. Program revenues supported 18.48% of the total governmental expenses.

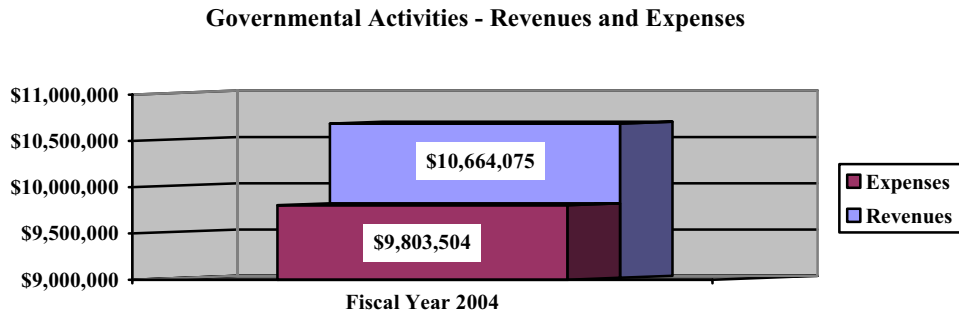
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 81.40% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,235,134 or 53.40% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

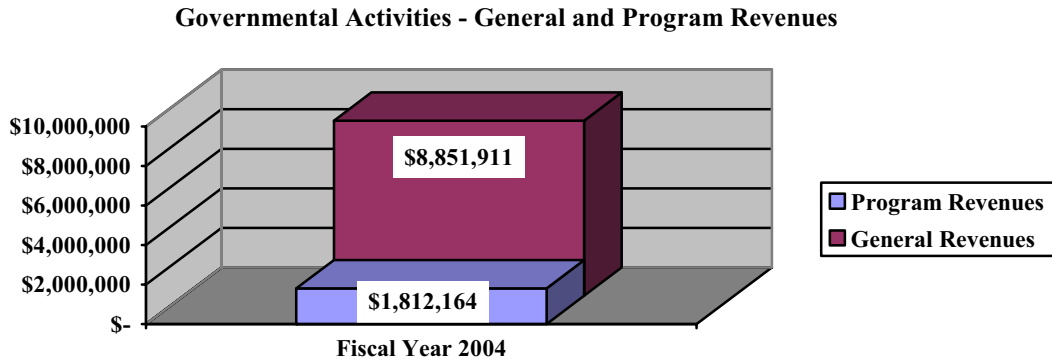
	<b>Governmental Activities</b>	
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 3,944,927	\$ 3,597,632
Special	1,120,022	700,472
Vocational	133,145	133,145
Adult education	177	177
Other	36,863	36,863
Support services:		
Pupil	382,734	358,386
Instructional staff	532,862	384,817
Board of education	34,076	22,374
Administration	805,644	785,736
Fiscal	283,951	283,336
Operations and maintenance	893,401	688,741
Pupil transportation	459,202	456,166
Food service operations	535,153	105,229
Operations of non-instructional services	764	764
Extracurricular activities	419,354	216,273
Interest and fiscal charges	221,229	221,229
<b>Total expenses</b>	<u>\$ 9,803,504</u>	<u>\$ 7,991,340</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 85.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.52%. The District's taxpayers and grants and entitlements, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$170,725, which is lower than last year's fund balance of \$365,951. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance (Deficit) June 30, 2004	Fund Balance (Deficit) June 30, 2003	Increase (Decrease)	Percentage Change
General	\$ (328,159)	\$ (715,912)	\$ 387,753	(54.16) %
Debt Service	457,641	404,599	53,042	13.11 %
Other Governmental	41,243	677,264	(636,021)	(93.91) %
<b>Total</b>	<u>\$ 170,725</u>	<u>\$ 365,951</u>	<u>\$ (195,226)</u>	<u>(53.35) %</u>

**General Fund**

The District's general fund deficit decreased \$387,753 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund deficit can be attributed to several items related to increasing revenues and decreased expenditures. Revenues exceed expenditures for fiscal year 2004 by \$389,985. The table that follows assists in illustrating the financial activities and fund deficit of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,303,217	\$ 2,154,856	\$ 148,361	6.88 %
Earnings on investments	5,817	13,330	(7,513)	(56.36) %
Intergovernmental	5,911,676	5,579,856	331,820	5.95 %
Other revenues	<u>96,957</u>	<u>99,580</u>	<u>(2,623)</u>	<u>(2.63) %</u>
Total	<u>\$ 8,317,667</u>	<u>\$ 7,847,622</u>	<u>\$ 470,045</u>	<u>5.99 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 4,269,604	\$ 4,578,057	\$ (308,453)	(6.74) %
Support services	3,244,336	3,749,541	(505,205)	(13.47) %
Non-instructional services	764	610	154	25.25 %
Extracurricular activities	123,161	161,738	(38,577)	(23.85) %
Facilities acquisition and construction	<u>289,817</u>	<u>71,547</u>	<u>218,270</u>	<u>305.07 %</u>
Total	<u>\$ 7,927,682</u>	<u>\$ 8,561,493</u>	<u>\$ (633,811)</u>	<u>(7.40) %</u>

***Debt Service Fund***

The District's debt service fund had \$364,719 in revenues and \$311,677 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$53,042 from \$404,599 to \$457,641.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,993,698 and final budgeted revenues and other financing sources were \$8,413,755. Actual revenues and other financing sources for fiscal 2004 was \$8,556,517. This represents a \$142,762 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,010,142 were increased to \$8,477,168 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$8,299,975, which was \$177,193 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$18,529,496 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003 (as restated):

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 121,788	\$ 121,788
Land improvements	1,415,017	902,911
Building and improvements	15,869,097	1,129,001
Furniture and equipment	1,058,537	551,822
Vehicles	65,057	88,007
Construction in progress	-	15,085,171
Total	<u>\$ 18,529,496</u>	<u>\$ 17,878,700</u>

The overall increase in capital assets of \$650,796 is due to capital outlays of \$1,284,207 exceeding depreciation expense of \$633,411 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2004, the District had \$3,190,000 in general obligation bonds outstanding. Of this total, \$145,000 is due within one year and \$3,045,000 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds	<u>\$ 3,190,000</u>	<u>\$ 3,330,000</u>
Total	<u>\$ 3,190,000</u>	<u>\$ 3,330,000</u>

At June 30, 2004, the District's overall legal debt margin was \$5,039,504, and an unvoted debt margin of \$86,354.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Current Financial Related Activities**

The District has been very frugal and has carefully managed its General Fund budget in order to get the maximum value for the tax dollars available for education the students of the Newcomerstown Exempted Village School District. The District has struggled financially over the last few years. Over the last four years the District has cut 1.8 million dollars from the District budget and the District has eliminated almost 50 full-time and extra-curricular positions in order to stay fiscally solvent. The District passed an 8 mill, five year emergency levy in February 2005 special election (by a vote of 58% to 42%). This was the fourth try for additional operating revenue in the last few years and this is the first new, additional operating funds the District has received in the last 13 years. The levy generates \$750,000.00 annually.

The District's five year forecast is brighter because of the levy passing. It is projected that the District will be fiscally solvent up to, but not including fiscal year 2009. The certified and classified associations have taken steps to help the District through these financially difficult times. Both associations have taken a zero percent pay increase in the last three years.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1977, the State has directed additional revenue growth toward the support of School Districts with little property tax wealth. In May of 2002, the Ohio Supreme Court again ruled that, while the State had made progress, the current funding system for schools is far too dependent on property taxes, which are inherently not "equitable" nor "adequate." The court directed the Governor and the legislature to address the fundamental issues creating the inequities. In September 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. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 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 change be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. In March 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court. At this time the School District is unable to determine what effect, if any, this decision will have on its State funding and its financial operations.

The District has committed itself to educational and financial excellence. As a result, the District's financial abilities will continue to be tested, therefore making it a challenge to meet the high educational goals that have been set. However, with continued leadership from the Board of Education and prudent fiscal planning, the resources needed to meet the educational challenges ahead and desired student needs should be achieved.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Stocker, Treasurer, Newcomerstown Exempted Village School District, 702 S. River Street, Newcomerstown, Ohio 43832.



**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,072,379
Cash with fiscal agent. . . . .	101,900
Receivables:	
Taxes . . . . .	2,448,948
Accounts . . . . .	431
Intergovernmental . . . . .	171,745
Prepayments . . . . .	23,646
Materials and supplies inventory . . . . .	19,266
Capital assets:	
Land . . . . .	121,788
Depreciable capital assets, net . . . . .	18,407,708
Capital assets, net. . . . .	18,529,496
 Total assets. . . . .	 22,367,811
<b>Liabilities:</b>	
Accounts payable. . . . .	54,187
Contracts payable. . . . .	134,908
Accrued wages and benefits . . . . .	913,370
Pension obligation payable. . . . .	214,967
Intergovernmental payable . . . . .	47,218
Deferred revenue . . . . .	1,977,728
Accrued interest payable . . . . .	14,596
Claims payable . . . . .	88,075
Long-term liabilities:	
Due within one year. . . . .	247,530
Due within more than one year . . . . .	4,240,114
Total liabilities . . . . .	7,932,693
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	14,518,900
Restricted for:	
Debt service. . . . .	464,066
Capital projects. . . . .	268,214
Permanent fund:	
Expendable. . . . .	7,182
Other purposes . . . . .	84,911
Unrestricted (deficit). . . . .	(908,155)
Total net assets . . . . .	\$ 14,435,118

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,944,927	\$ 62,772	\$ 284,523	\$ -	\$ (3,597,632)
Special . . . . .	1,120,022	-	419,550	-	(700,472)
Vocational . . . . .	133,145	-	-	-	(133,145)
Adult education . . . . .	177	-	-	-	(177)
Other . . . . .	36,863	-	-	-	(36,863)
Support services:					
Pupil . . . . .	382,734	-	24,348	-	(358,386)
Instructional staff . . . . .	532,862	-	148,045	-	(384,817)
Board of education . . . . .	34,076	11,702	-	-	(22,374)
Administration . . . . .	805,644	-	19,908	-	(785,736)
Fiscal . . . . .	283,951	-	615	-	(283,336)
Operations and maintenance . . . . .	893,401	3,425	129,924	71,311	(688,741)
Pupil transportation . . . . .	459,202	-	3,036	-	(456,166)
Operation of non-instructional services:					
Food service operations . . . . .	535,153	173,380	256,544	-	(105,229)
Other non-instructional services . . . . .	764	-	-	-	(764)
Extracurricular activities . . . . .	419,354	202,239	842	-	(216,273)
Interest and fiscal charges . . . . .	221,229	-	-	-	(221,229)
<b>Total governmental activities . . . . .</b>	<b>\$ 9,803,504</b>	<b>\$ 453,518</b>	<b>\$ 1,287,335</b>	<b>\$ 71,311</b>	<b>(7,991,340)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,311,183
Special revenue . . . . .	38,758
Debt service . . . . .	329,391
Capital projects . . . . .	44,540
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	8,408
Miscellaneous . . . . .	163,099
<b>Total general revenues . . . . .</b>	<b>8,851,911</b>
 Change in net assets . . . . .	 860,571
 <b>Net assets at beginning of year (restated) .</b>	 <b>13,574,547</b>
 <b>Net assets at end of year . . . . .</b>	 <b>\$ 14,435,118</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 415,517	\$ 586,995	\$ 1,002,512
Receivables:				
Taxes . . . . .	2,072,078	292,234	84,636	2,448,948
Accounts . . . . .	-	-	431	431
Intergovernmental . . . . .	-	-	171,745	171,745
Due from other funds . . . . .	322,292	-	-	322,292
Prepayments . . . . .	23,646	-	-	23,646
Materials and supplies inventory . . . . .	13,099	-	6,167	19,266
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	69,867	-	-	69,867
Total assets . . . . .	<u>\$ 2,500,982</u>	<u>\$ 707,751</u>	<u>\$ 849,974</u>	<u>\$ 4,058,707</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 36,944	\$ -	\$ 17,243	\$ 54,187
Contracts payable . . . . .	-	-	134,908	134,908
Accrued wages and benefits . . . . .	777,696	-	135,674	913,370
Compensated absences payable . . . . .	31,132	-	-	31,132
Pension obligation payable . . . . .	125,732	-	2,940	128,672
Intergovernmental payable . . . . .	39,494	-	7,724	47,218
Due to other funds . . . . .	-	-	322,292	322,292
Deferred revenue . . . . .	1,818,143	250,110	187,950	2,256,203
Total liabilities . . . . .	<u>2,829,141</u>	<u>250,110</u>	<u>808,731</u>	<u>3,887,982</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	35,475	-	267,615	303,090
Reserved for materials and supplies inventory . . . . .	13,099	-	6,167	19,266
Reserved for prepayments . . . . .	23,646	-	-	23,646
Reserved for property tax unavailable for appropriation . . . . .	253,935	42,124	9,258	305,317
Reserved for debt service . . . . .	-	415,517	-	415,517
Reserved for BWC refunds . . . . .	41,643	-	-	41,643
Reserved for textbooks . . . . .	28,224	-	-	28,224
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	(724,181)	-	-	(724,181)
Special revenue funds . . . . .	-	-	(472,612)	(472,612)
Capital projects funds . . . . .	-	-	227,216	227,216
Permanent fund . . . . .	-	-	3,599	3,599
Total fund balances (deficit) . . . . .	<u>(328,159)</u>	<u>457,641</u>	<u>41,243</u>	<u>170,725</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,500,982</u>	<u>\$ 707,751</u>	<u>\$ 849,974</u>	<u>\$ 4,058,707</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$	170,725
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			18,529,496
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	165,903	
Intergovernmental revenue		<u>112,572</u>	
Total			278,475
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			13,825
Long-term liabilities, including leases and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(445,916)	
Pension obligation payable		(86,295)	
Lease-purchase agreement payable		(820,596)	
General obligation bonds payable		(3,190,000)	
Accrued interest payable		<u>(14,596)</u>	
Total			<u>(4,557,403)</u>
<b>Net assets of governmental activities</b>		<u>\$</u>	<u>14,435,118</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,303,217	\$ 328,432	\$ 83,037	\$ 2,714,686
Tuition. . . . .	28,905	-	-	28,905
Charges for services. . . . .	-	-	173,380	173,380
Earnings on investments. . . . .	5,817	-	2,513	8,330
Extracurricular. . . . .	-	-	202,299	202,299
Classroom materials and fees. . . . .	-	-	33,867	33,867
Other local revenues. . . . .	68,052	-	156,785	224,837
Intergovernmental - State. . . . .	5,911,676	36,287	312,082	6,260,045
Intergovernmental - Federal . . . . .	-	-	1,163,887	1,163,887
Total revenue . . . . .	<u>8,317,667</u>	<u>364,719</u>	<u>2,127,850</u>	<u>10,810,236</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,467,372	-	418,481	3,885,853
Special. . . . .	619,420	-	473,697	1,093,117
Vocational. . . . .	145,949	-	-	145,949
Adult education. . . . .	-	-	177	177
Other. . . . .	36,863	-	-	36,863
Support services:				
Pupil. . . . .	335,302	-	49,109	384,411
Instructional staff . . . . .	326,198	-	197,915	524,113
Board of education . . . . .	34,076	-	-	34,076
Administration. . . . .	774,038	-	24,579	798,617
Fiscal . . . . .	268,903	-	709	269,612
Operations and maintenance. . . . .	1,052,802	-	23,549	1,076,351
Pupil transportation . . . . .	453,017	-	6,514	459,531
Food service operations . . . . .	-	-	526,351	526,351
Other non-instructional services. . . . .	764	-	-	764
Extracurricular activities. . . . .	123,161	-	198,366	321,527
Facilities acquisition and construction . . . . .	289,817	-	746,656	1,036,473
Debt service:				
Principal retirement . . . . .	-	140,000	49,882	189,882
Interest and fiscal charges . . . . .	-	171,677	50,118	221,795
Total expenditures . . . . .	<u>7,927,682</u>	<u>311,677</u>	<u>2,766,103</u>	<u>11,005,462</u>
Excess of revenues over (under) expenditures. . . . .	<u>389,985</u>	<u>53,042</u>	<u>(638,253)</u>	<u>(195,226)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	2,232	2,232
Transfers (out). . . . .	<u>(2,232)</u>	-	-	<u>(2,232)</u>
Total other financing sources (uses) . . . . .	<u>(2,232)</u>	-	<u>2,232</u>	-
Net change in fund balances . . . . .	387,753	53,042	(636,021)	(195,226)
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>	<u>(715,912)</u>	<u>404,599</u>	<u>677,264</u>	<u>365,951</u>
<b>Fund balances (deficit) at end of year. . . . .</b>	<u>\$ (328,159)</u>	<u>\$ 457,641</u>	<u>\$ 41,243</u>	<u>\$ 170,725</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Net change in fund balances - total governmental funds</b>	\$	(195,226)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,284,207) exceeds depreciation expense (\$633,411) current period.		650,796
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(146,239)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		189,882
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds.		566
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		30,549
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		330,243
		330,243
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>860,571</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,159,838	\$ 2,273,334	\$ 2,273,334	\$ -
Tuition . . . . .	27,462	28,905	28,905	-
Earnings on investments . . . . .	5,386	5,669	5,817	148
Other local revenues . . . . .	62,889	66,194	68,481	2,287
Intergovernmental - State . . . . .	5,616,535	5,911,676	5,911,676	-
Total revenue . . . . .	<u>7,872,110</u>	<u>8,285,778</u>	<u>8,288,213</u>	<u>2,435</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,384,126	3,581,435	3,631,935	(50,500)
Special . . . . .	606,120	641,459	637,668	3,791
Vocational . . . . .	126,373	133,741	145,583	(11,842)
Adult/continuing . . . . .	956	1,012	-	1,012
Other . . . . .	52,217	55,261	52,172	3,089
Support services:				
Pupil . . . . .	361,292	382,357	346,728	35,629
Instructional staff . . . . .	378,015	400,055	344,963	55,092
Board of education . . . . .	19,854	21,012	32,257	(11,245)
Administration . . . . .	704,845	745,940	770,114	(24,174)
Fiscal . . . . .	229,651	243,041	269,718	(26,677)
Operations and maintenance . . . . .	1,195,555	1,265,261	1,058,165	207,096
Pupil transportation . . . . .	503,352	532,700	462,190	70,510
Operation of non-instructional services . . . . .	7,835	8,292	907	7,385
Extracurricular activities . . . . .	126,206	133,564	113,261	20,303
Facilities acquisition and construction . . . . .	279,088	295,360	291,754	3,606
Total expenditures . . . . .	<u>7,975,485</u>	<u>8,440,490</u>	<u>8,157,415</u>	<u>283,075</u>
Excess of revenues over (under) expenditures . . . . .	<u>(103,375)</u>	<u>(154,712)</u>	<u>130,798</u>	<u>285,510</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	121,588	127,977	127,977	-
Transfers in . . . . .	-	-	140,327	140,327
Transfers (out) . . . . .	(34,657)	(36,678)	(142,560)	(105,882)
Total other financing sources (uses) . . . . .	<u>86,931</u>	<u>91,299</u>	<u>125,744</u>	<u>34,445</u>
Net change in fund balance . . . . .	(16,444)	(63,413)	256,542	319,955
<b>Fund balance (deficit) at beginning of year.</b>	(55,397)	(55,397)	(55,397)	-
<b>Prior year encumbrances appropriated . .</b>	118,991	118,991	118,991	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 47,150</u>	<u>\$ 181</u>	<u>\$ 320,136</u>	<u>\$ 319,955</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 101,900
Total assets . . . . .	101,900
<b>Liabilities:</b>	
Claims payable . . . . .	88,075
Total liabilities . . . . .	88,075
<b>Net assets:</b>	
Unrestricted. . . . .	13,825
Total net assets . . . . .	\$ 13,825

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 2,294,442
Other . . . . .	2,312
Total operating revenues . . . . .	<u>2,296,754</u>
<b>Operating expenses:</b>	
Fringe benefits . . . . .	96,743
Claims. . . . .	1,869,843
Materials and supplies. . . . .	3
Total operating expenses . . . . .	<u>1,966,589</u>
Operating income . . . . .	<u>330,165</u>
<b>Nonoperating revenues:</b>	
Interest revenue. . . . .	<u>78</u>
Total nonoperating revenues . . . . .	<u>78</u>
Change in net assets. . . . .	330,243
<b>Net assets (deficit) at beginning of year. . .</b>	<u>(316,418)</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 13,825</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,294,442
Cash received from other revenues . . . . .	2,312
Cash payments for fringe benefits. . . . .	(96,743)
Cash payments for claims. . . . .	(2,098,186)
Cash payments for materials and supplies. . . . .	<u>(3)</u>
Net cash provided by operating activities . . . . .	<u>101,822</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>78</u>
Net cash provided by investing activities . . . . .	<u>78</u>
Net increase in cash and cash equivalents . . . . .	101,900
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>-</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 101,900</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 330,165
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	(83,605)
Decrease in intergovernmental payable. . . . .	<u>(144,738)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 101,822</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 44,337
Investments in segregated accounts . . . . .	1,897	-
Receivables:		
Accounts . . . . .	-	40
Total assets. . . . .	1,897	\$ 44,377
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 421
Intergovernmental payable . . . . .	-	7
Due to students . . . . .	-	43,949
Total liabilities . . . . .	-	\$ 44,377
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	1,897	
Total net assets . . . . .	\$ 1,897	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 21
Total additions. . . . .	21
<b>Deductions:</b>	
Scholarships awarded . . . . .	200
Change in net assets . . . . .	(179)
<b>Net assets at beginning of year . . . . .</b>	<b>2,076</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 1,897</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 53 non-certificated employees, 106 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,294 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Career Center

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

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

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

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

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Tuscarawas County Tax Incentive Review Council

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

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Revenues - Exchange and Non-exchange Transactions - 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, interest, tuition, grants, student fees and rentals.

Deferred Revenue - 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - 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 Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**E. Budgets**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control has been established by the Board of Education at the fund level of expenditures for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

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

*TAX BUDGET*

On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds

*ESTIMATED RESOURCES*

The Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*APPROPRIATIONS*

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in the general fund and function and object level in all other funds without resolution by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. Supplemental appropriations were legally enacted by the Board during fiscal year 2004.

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

*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.

**F. Cash and Investments**

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

During fiscal year 2004, investments consisted of a nonnegotiable certificate of deposit and a repurchase agreement. Investments are reported at fair market value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The certificate of deposit maintained in the Claude Hinds Memorial Fund is reflected on the statement of fiduciary net assets as "Investments in Segregated Accounts".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$5,817, which includes \$4,460 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold for all capital assets other than buildings and improvements from \$500 to \$5,000. The District maintains a capitalization threshold of \$5,000 for buildings and improvements. 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. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

**L. Fund Balance Reserves**

The 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, materials and supplies inventory, prepayments, debt service, textbooks, BWC refunds and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. Estimates**

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and BWC refunds. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**R. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ (726,162)	\$ 404,599	\$ 779,244	\$ 457,681
Fund reclassifications	-	-	(101,980)	(101,980)
Implementation of GASB Interpretation No. 6	<u>10,250</u>	<u>-</u>	<u>-</u>	<u>10,250</u>
Restated fund balance, June 30, 2003	<u>\$ (715,912)</u>	<u>\$ 404,599</u>	<u>\$ 677,264</u>	<u>\$ 365,951</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance, June 30, 2003	\$ 365,951
GASB 34 adjustments:	
Long-term (deferred) assets	424,714
Capital assets	17,878,700
Accrued interest payable	(15,162)
Pension obligation	(89,751)
Long-term liabilities	(4,673,487)
Internal service fund	<u>(316,418)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 13,574,547</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General	\$ 328,159
<u>Nonmajor Funds</u>	
Food Service	210,413
Teacher Development	2
Disadvantaged Pupil Impact Aide	14,565
Title VI-B	31,483
Title I	61,558
Title VI	201
Safe and Drug Free School	385
Removals of Barriers to the Handicapped	229,243

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities. The District is in the process of reviewing expenditures in an effort to bring them in line with revenues and reduce the general fund deficit.

**C. Deficit Cash Fund Balances**

The District had negative cash fund balances in several funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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:

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

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

*Cash with Fiscal Agent:* The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$101,900.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$224,208 and the bank balance was \$189,751. Of the bank balance:

1. \$101,897 was covered by federal depository insurance deposited with the District; and
2. \$87,854 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$ 1,004,096</u>	<u>\$ 1,004,096</u>	<u>\$ 1,004,096</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,226,407	\$ 1,897
Investments of the cash management pool:		
Repurchase agreement	(1,004,096)	1,004,096
Certificate of deposit	<u>1,897</u>	<u>(1,897)</u>
GASB Statement No. 3	<u>\$ 224,208</u>	<u>\$ 1,004,096</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 322,292

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:

General Fund	\$ 2,232
--------------	----------

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Tuscarawas, Coshocton and Guernsey Counties. The County Auditor's periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance, and recorded as revenue, at June 30, 2004 was \$253,935 in the general fund, \$4,341 in the Classroom Maintenance special revenue fund, \$42,124 in the debt service fund and \$4,917 in the Permanent Improvement capital projects fund.

The amount available as an advance, and recorded as revenue, at June 30, 2003, was \$224,052 in the general fund, \$4,226 in the Classroom Maintenance special revenue fund, \$36,517 in the debt service fund and \$3,956 in the Permanent Improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and minerals real estate	\$ 48,675,980	59.23	\$ 51,617,810	59.77
Commercial/industrial real estate	13,523,770	16.46	14,049,790	16.27
Public utility personal	6,927,480	8.42	7,065,790	8.18
Tangible personal property	<u>13,061,740</u>	<u>15.89</u>	<u>13,620,644</u>	<u>15.78</u>
Total	<u>\$ 82,188,970</u>	<u>100.00</u>	<u>\$ 86,354,034</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 42.60		\$ 46.40	
Permanent improvement	1.50		1.50	
Debt service	4.15		4.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,448,948
Accounts	431
Intergovernmental	<u>171,745</u>
Total	<u>\$ 2,621,124</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to the reclassification of funds from proprietary to governmental, the depreciation of capital assets in accordance with GASB Statement No. 34, a reappraisal, and an increase in the capitalization threshold as described in Note 2.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ 121,788	\$ -	\$ 121,788
Construction in progress	<u>15,085,171</u>	<u>-</u>	<u>15,085,171</u>
Total capital assets, not being depreciated	<u>15,206,959</u>	<u>-</u>	<u>15,206,959</u>
Capital assets, being depreciated:			
Land improvements	932,205	169,012	1,101,217
Buildings and improvements	4,751,685	(343,275)	4,408,410
Furniture and equipment	1,910,328	(309,029)	1,601,299
Vehicles	<u>800,005</u>	<u>(90,934)</u>	<u>709,071</u>
Total capital assets, being depreciated	<u>8,394,223</u>	<u>(574,226)</u>	<u>7,819,997</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(5,148,256)</u>	<u>(5,148,256)</u>
Governmental activities capital assets, net	<u>\$ 23,601,182</u>	<u>\$ (5,722,482)</u>	<u>\$ 17,878,700</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 121,788	\$ -	\$ -	\$ 121,788
Construction in progress	<u>15,085,171</u>	<u>678,928</u>	<u>(15,764,099)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>15,206,959</u>	<u>678,928</u>	<u>(15,764,099)</u>	<u>121,788</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,101,217	599,680	-	1,700,897
Buildings and improvements	4,408,410	15,061,758	-	19,470,168
Furniture and equipment	1,601,299	707,940	-	2,309,239
Vehicles	<u>709,071</u>	<u>-</u>	<u>-</u>	<u>709,071</u>
Total capital assets, being depreciated	<u>7,819,997</u>	<u>16,369,378</u>	<u>-</u>	<u>24,189,375</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(198,306)	(87,574)	-	(285,880)
Buildings and improvements	(3,279,409)	(321,662)	-	(3,601,071)
Furniture and equipment	(1,049,477)	(201,225)	-	(1,250,702)
Vehicles	<u>(621,064)</u>	<u>(22,950)</u>	<u>-</u>	<u>(644,014)</u>
Total accumulated depreciation	<u>(5,148,256)</u>	<u>(633,411)</u>	<u>-</u>	<u>(5,781,667)</u>
Governmental activities capital assets, net	<u>\$ 17,878,700</u>	<u>\$ 16,414,895</u>	<u>\$(15,764,099)</u>	<u>\$ 18,529,496</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 331,794
Special	37,944
Vocational	4,165

Support Services:

Pupil	4,693
Instructional staff	36,326
Administration	11,673
Fiscal	1,675
Operations and maintenance	50,994
Pupil transportation	23,305
Extracurricular activities	97,460
Food service operations	<u>33,382</u>

Total depreciation expense \$ 633,411

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/ restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee expendable trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2004, the District made principal payments totaling \$49,882 and interest payments totaling \$50,118 on the lease-purchase agreement. The lease payments are recorded as expenditures in the debt service fund.

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 100,000
2006	100,000
2007	97,000
2008	97,000
2009	97,000
2010 - 2014	479,000
2015 - 2016	<u>174,734</u>
Total minimum lease payments	1,144,734
Less amount representing interest	<u>(324,138)</u>
Total	<u>\$ 820,596</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

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

Payments of principal and interest on the refunding bonds are made from the debt service fund. The following is a description of the District's refunding bond activity for fiscal year 2004:

	Interest Rate	Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
General obligation bonds	4.65%	\$ 450,000	\$ -	\$ (60,000)	\$ 390,000	\$ 60,000
Total		<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 390,000</u>	<u>\$ 60,000</u>

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. The total cost of the Construction Project was \$16,206,098. The Construction Project was completed in fiscal year 2004.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a description of the District's school improvement bonds activity for fiscal year 2004:

	Interest Rate	Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
General obligation bonds	4.50%	\$ 2,880,000	\$ -	\$ (80,000)	\$ 2,800,000	\$ 85,000
Total		<u>\$ 2,880,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ 2,800,000</u>	<u>\$ 85,000</u>

- C. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$473,681 to \$501,062 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$73,143 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$35,762 from \$4,757,302 to \$4,721,540. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance 06/30/03	Additions	Reductions	Balance 06/30/04	Amounts Due in One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 3,330,000	\$ -	\$ (140,000)	\$ 3,190,000	\$ 145,000
Early retirement incentive	20,000	-	(20,000)	-	-
Compensated absences	501,062	24,327	(48,341)	477,048	49,692
Lease-purchase agreement payable	<u>870,478</u>	<u>-</u>	<u>(49,882)</u>	<u>820,596</u>	<u>52,838</u>
Total long-term obligations, governmental activities	<u>\$ 4,721,540</u>	<u>\$ 24,327</u>	<u>\$ (258,223)</u>	<u>\$ 4,487,644</u>	<u>\$ 247,530</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- D.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2004, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 145,000	\$ 175,156	\$ 320,156
2006	150,000	168,050	318,050
2007	155,000	160,619	315,619
2008	155,000	152,974	307,974
2009	160,000	145,113	305,113
2010 - 2014	690,000	612,669	1,302,669
2015 - 2019	755,000	426,022	1,181,022
2020 - 2024	<u>980,000</u>	<u>159,999</u>	<u>1,139,999</u>
Total	<u>\$ 3,190,000</u>	<u>\$ 2,000,602</u>	<u>\$ 5,190,602</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$5,039,504 (including available funds of \$457,641) and an unvoted debt margin of \$86,354.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

**B. Early Retirement Incentive**

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS) employees who elect to retire within 30 days after the end of the school year in which he/she becomes eligible for retirement under STRS criteria. This is a one time opportunity for those eligible in fiscal years 2001 - 2003. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the May Board meeting in fiscal years 2001 - 2003. The one time cash payment of \$10,000 shall be made within 30 days of the retirement date or on January 2 of the following year. The District had two employees that were paid the early retirement incentive during fiscal year 2004.

**C. Life Insurance**

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

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Ohio School Plan for property insurance, for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

Building and contents - replacement cost (\$2,500 deductible)	100% Blanket
Inland marine coverage "contents" (\$1,000 deductible)	\$ 1,050,000
Boiler and machinery "contents" (\$1,500 deductible)	19,239,467
Automobile liability (no deductible)	1,000,000
Professional liability:	
Per occurrence	1,000,000
Excess auto liability:	2,000,000
Per aggregate	2,000,000

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$88,075 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 171,680	\$ 2,014,581	\$ (2,098,186)	\$ 88,075
2003	198,426	1,581,076	(1,607,822)	171,680

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$145,434, \$156,108, and \$137,866, respectively; 29.76% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$102,156, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$530,077, \$542,414, and \$545,414, respectively; 82.15% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$94,620 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$37,863 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$80,269 during the 2004 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 256,542
Net adjustment for revenue accruals	29,454
Net adjustment for expenditure accruals	157,710
Net adjustment for other sources/uses	(127,976)
Adjustment for encumbrances	72,023
GAAP basis	\$ 387,753

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ 21,951	\$ -	\$ 41,643
Current year set-aside requirement	172,316	172,316	-
Current year offsets	-	(81,961)	-
Qualifying disbursements	<u>(31,988)</u>	<u>(671,985)</u>	<u>-</u>
 Total	 <u>\$ 162,279</u>	 <u>\$ (581,630)</u>	 <u>\$ 41,643</u>
 Amount to limit set-aside to cash available	 <u>\$ (134,055)</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Cash balance carried forward to FY 2005	 <u>\$ 28,224</u>	 <u>\$ -</u>	 <u>\$ 41,643</u>

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

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for BWC refunds	\$ 41,643
Amounts restricted for textbooks	<u>28,224</u>
 Total restricted assets	 <u>\$ 69,867</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$42,061		\$42,061
National School Breakfast Program	N/A	10.553	\$38,078		\$38,078	
National School Lunch Program	N/A	10.555	204,623		204,623	
Total U.S. Department of Agriculture - Child Nutrition Cluster			242,701	42,061	242,701	42,061
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	C1S103 C1S104	84.010	345,998 102,285		377,767 84,502	
Total Title I Grants to Local Educational Agencies			448,283		462,269	
Special Education - Grants to States	6BSF02 6BSF04 6BSF03	84.027	171,801 36,368		1,133 196,380 41,315	
Total Special Education - Grants to States			208,169		238,828	
State Grants for Innovative Programs	C2S103 C2S104	84.298	4,016 2,705		7,687 2,126	
State Grants for Innovative Programs			6,721		9,813	
Eisenhower Professional Development State Grants	MSS101 MSS102	84.281			40	
Total Eisenhower Professional Development State Grants			0		40	
Improving Teacher Quality State Grants	TRS103 TRS104	84.367	15,894 56,095		22,710 76,969	
Improving Teacher Quality State Grants			71,989		99,679	
Safe and Drug Free Schools and Communities State Grants	DRS102 DRS103 DRS104	84.186	1,111 9,195		1,115 131 11,918	
Total Safe and Drug Free Schools and Communities State Grants			10,306		13,164	
School Revovation Grants	N/A	84.352 A	142,234		245,836	
Rural Education Grants	RUS103	84.358	19,546		18,442	
Education Technology State Grant	TJS103 TJS104	84.318	5,663 6,896		6,652 6,402	
Total Education Technology State Grant			12,559		13,054	
Learn and Serve America Schools and Community Based Programs	SVS503 SVS504	94.004	28,959		6,833 21,713	
Total Learn and Serve America Schools and Community Based Programs			28,959		28,546	
Total U.S. Department of Education			948,766		1,129,671	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Community Alternative Funding System	N/A	93.778	21,355		21,355	
Total			<u>\$1,212,822</u>	<u>\$42,061</u>	<u>\$1,393,727</u>	<u>\$42,061</u>

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

**NOTE C - MEDICAL ASSISTANCE PROGRAM**

Cash receipts from the U.S. Department of Health and Human Services for the Medical Assistance Program-CAFS are commingled with local funds. It is assumed federal monies are expended first.





## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2005, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34 and restated its capital asset balance due to an increase in its capitalization threshold from \$500 to \$5,000 and also due to a reappraisal. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002.

We also noted other immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated March 11, 2005.

#### **Internal Control Over Financial Reporting**

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

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated March 11, 2005.

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

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

**Betty Montgomery**  
Auditor of State

March 11, 2005



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004. However, we noted an immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated March 11, 2005.

#### Internal Control Over Compliance

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

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Newcomerstown Exempted Village School District  
Tuscarawas County  
Independent Accountants' Report on Compliance with Requirements  
Applicable to its Major Federal Programs and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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

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

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

**Betty Montgomery**  
Auditor of State

March 11, 2005

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2004-001**

**Finding for Recovery Repaid Under Audit**

**Ohio Rev. Code Section 9.39** states all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

As a result of our test of the Cheerleader candy bar sales, we noted the following receipt shortage:

Upon review of the Candy bar sales Final Sales Project Report, \$5,205 was the expected sales revenue for the 120 boxes of candy bars purchased. It was noted on the Final sales report that (84 boxes X \$52, number of candy bars sold for a \$1 = \$4,368 less \$312 for damaged goods and monies deposited in fiscal year 2005) and (36 boxes, sold to another group X \$23.25, sold at cost = \$837) \$4,893 should have been collected and subsequently recorded on the District's receipt ledger and deposited in the bank; however, evidence existed to support only \$3,724 was recorded and subsequently deposited in the bank for a shortage totaling \$1,169.

**FINDING NUMBER 2004-001 (Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Angel Ott Cheerleading Advisor in the amount of \$1,481 and in favor of the Newcomerstown Exempted Village School District's Cheerleading Fund (Fund No. 300).

On April 19, 2005, Newcomerstown Athletic Booster Club paid the finding for recovery in full to the Newcomerstown Exempted Village School District (check no. 3236) and it was subsequently deposited and recorded by the District on April 20, 2005 (receipt no. 13306).

**FINDING NUMBER 2004-002**

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

Governmental Fund Type:

Uniform School Supplies	(\$ 12,131)
Employee Benefit – Self Insurance	( 100,362)
Idea Part B Grant Fund	( 37,734)
Title I	( 111,451)
Title V	( 5,244)
Ohio School Facilities Monies	( 23,338)
Title II-A	( 7,193)
Vernon & Edith Lee Trust	( 45,418)
Safe School Helpline	( 2,722)
Title IV	( 683)
Title II-D	( 800)
Entry Teacher	( 220)
Food Service Fund	( 175,802)

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Ohio Rev. Code Section 5705.10, negative fund balances	No	Not Corrected. See Finding 2004- 002.
2003-002	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations	No	Partially corrected. See Management Letter Comment.
2003-003	Child Nutrition Cluster- Title 7 C.F.R. Section 245.6 and 245.6a, Free/reduced applications and verification performed.	No	Partially corrected. See Management Letter Comment.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 31, 2005**