

**NEW LONDON LOCAL  
SCHOOL DISTRICT**

**GENERAL-PURPOSE FINANCIAL STATEMENTS**

**TOGETHER WITH AUDITOR'S REPORT AND  
AUDITOR'S REPORTS ON INTERNAL CONTROL,  
COMPLIANCE, SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND OTHER MATTERS  
JULY 1, 1998 TO JUNE 30, 1999  
FISCAL YEAR AUDITED UNDER GAGAS: 1999**



Reichert & Associates, CPA's

206 West Hardin Street  
Findlay, Ohio 45840  
419-422-6131

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SCHOOL DISTRICT**

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# New London Local School District

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**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**100 EAST MAIN STREET  
NEW LONDON, OHIO 44851**

**ELECTED OFFICIALS AND  
ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 1999**

<u>TITLE/NAME</u>	<u>TERM OF OFFICE OR CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<b>BOARD PRESIDENT</b>				
Robert Johnson	1/1/98-12/31/01	(A)	\$20,000	1/1/96-1/1/99
<b>BOARD MEMBERS</b>				
Chris Pondy	1/1/98-12/31/01	*	*	*
Karen Ruggles	1/1/98-12/31/01	*	*	*
Gary Landis	1/1/96-12/31/99	*	*	*
Robert Snyder	1/1/96-12/31/99	*	*	*
<b>STATUTORY LEGAL COUNSEL</b>				
Russell Leffler Prosecuting Attorney Huron County, Ohio				
<b>ADMINISTRATIVE PERSONNEL</b>				
Gary Graham Superintendent	8/1/98-7/31/2001	(B)	\$20,000	8/1/98-8/1/2001
Gina Blackman Treasurer	1/3/96 to Organizational Meeting 2000	(B)	\$100,000	1/3/96 to Organizational Meeting 2000

(A) Nationwide Mutual Insurance Company

(B) Western Surety Company

\* Not Applicable

NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY

INDEX OF FUNDS

**GOVERNMENTAL FUND TYPES:**

**General Fund Type:**

General Fund

**Special Revenue Fund Type:**

Public School Support Fund  
W.V.I.Z. Grant Fund  
Athletic Fund  
Education Management Information System Fund  
Disadvantaged Pupil Impact Aid Fund  
Education of the Handicapped Act - Title VI-B Fund  
Education Consolidation and Improvement Act - Title I Fund  
Innovative Education PROG Strategy - Title VI Fund  
Performance Incentive Grant  
Drug Free School Grant Fund  
Chemical Free Prom/Graduation Grant Fund

**Debt Service Fund Type:**

Bond Retirement Fund

**Capital Project Fund Type:**

Permanent Improvement Fund  
Vocational Education Equipment Fund  
Emergency School Building Repair Fund  
Project Construction Fund - Local

**PROPRIETARY FUND TYPES:**

**Enterprise Fund Type:**

Food Service Fund  
Summer School Fund  
Adult Education Fund

**FIDUCIARY FUND TYPES:**

**Trust and Agency Fund Types:**

**Expendable Trust Fund:**  
Special Trust Fund

**Nonexpendable Trust Fund:**  
Endowment Fund

**Agency Fund:**  
Student Activity Fund



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education  
New London Local School District

We have reviewed the independent auditor's report of the New London Local School District, Huron County, prepared by Reichert & Associates, CPA's, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO  
Auditor of State

February 10, 2000

# **REICHERT & ASSOCIATES, CPA'S**

206 West Hardin Street

Findlay, Ohio 45840

419-422-6131

FAX 419-422-1372

## **Independent Auditor's Report**

Board of Education  
New London Local School

We have audited the accompanying general purpose financial statements of the New London Local School District of June 30, 1999, and for the fiscal year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 basic financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 18, 1999 on our consideration of New London Local School District's internal control structure over financial planning and our tests of its compliance with certain provisions of laws, and regulations.

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

November 18, 1999  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
Certified Public Accountants

**NEW LONDON LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1999**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>									
<b>ASSETS:</b>									
Equity in pooled cash and cash equivalents . . . . .	\$877,453	\$159,053	\$107,211	\$3,599,604	\$3,411	\$57,073			\$4,803,805
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .							93,444		93,444
Investments . . . . .	100,000						118,694		218,694
Receivables (net of allowances of uncollectibles):									
Taxes - current & delinquent . . . . .	1,734,354	239,416	38,051						2,011,821
Accounts . . . . .	12,370	1,858			53	8			14,289
Accrued interest . . . . .	11,660	335			14	5,372			17,381
Due from other governments . . . . .	1,050	19,887			9,421				30,358
Interfund loan receivable . . . . .	600								600
Materials and supplies inventory . . . . .					15,115				15,115
Restricted assets:									
Equity in pooled cash and cash equivalents . . . . .	83,598								83,598
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					13,430		\$4,316,985		4,330,415
<b>OTHER DEBITS:</b>									
Amount available in debt service fund								\$138,467	138,467
Amount to be provided for retirement of general long-term obligations . . . . .								\$3,773,793	3,773,793
<b>Total assets and other debits . . . . .</b>	<b>\$2,821,085</b>	<b>\$420,549</b>	<b>\$145,262</b>	<b>\$3,599,604</b>	<b>\$41,444</b>	<b>\$274,591</b>	<b>\$4,316,985</b>	<b>\$3,912,260</b>	<b>\$15,531,780</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>									
<b>LIABILITIES:</b>									
Accounts payable . . . . .	\$53,074	\$11,663		\$82,892	\$230				\$147,859
Accrued wages and benefits . . . . .	614,990	27,276			20,511				662,777
Compensated absences payable . . . . .	4,811				10,094		\$552,318		567,223
Pension obligation payable . . . . .	92,062	840			9,407		45,712		148,021
Interfund loan payable . . . . .				600					600
Deferred revenue . . . . .	1,230,245	230,809	\$6,795		13,318	\$4,709			1,485,876
Due to students . . . . .						19,862			19,862
Notes payable . . . . .								62,230	62,230
Bond anticipation notes payable . . . . .								3,252,000	3,252,000
<b>Total liabilities . . . . .</b>	<b>1,995,182</b>	<b>270,588</b>	<b>6,785</b>	<b>83,492</b>	<b>33,560</b>	<b>24,571</b>		<b>3,912,260</b>	<b>6,346,448</b>
<b>EQUITY AND OTHER CREDITS:</b>									
Investment in general fixed assets . . . . .							\$4,316,985		4,316,985
Contributed capital . . . . .					5,700				5,700
Retained earnings (accumulated deficit):									
Unreserved . . . . .					(17,816)				(17,816)
Fund balances:									
Reserved for encumbrances . . . . .	40,597	30,661		\$9,245		12,600			93,103
Reserved for debt service . . . . .			108,351						108,351
Reserved for tax revenue unavailable . . . . .									
for appropriation . . . . .	213,607	8,449	30,116						252,172
Reserved for principal endowment . . . . .						194,529			194,529
Reserved for budget stabilization . . . . .	83,598								83,598
Unreserved-undesignated . . . . .	488,101	110,851		3,506,867		42,891			4,148,710
<b>Total equity and other credits . . . . .</b>	<b>\$25,903</b>	<b>149,961</b>	<b>138,467</b>	<b>3,516,112</b>	<b>(12,116)</b>	<b>250,020</b>	<b>4,316,985</b>	<b>\$3,912,260</b>	<b>9,185,332</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$2,821,085</b>	<b>\$420,549</b>	<b>\$145,262</b>	<b>\$3,599,604</b>	<b>\$41,444</b>	<b>\$274,591</b>	<b>\$4,316,985</b>	<b>\$3,912,260</b>	<b>\$15,531,780</b>

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

**NEW LONDON LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
<b>From local sources:</b>						
Taxes . . . . .	\$2,146,013	\$23,895	\$203,138			\$2,373,046
Tuition . . . . .	162,868					162,868
Earnings on investments . . . . .	80,512	4,622		\$21,306	\$1,052	107,492
Other local revenues . . . . .	100,686	298,954	829		23,256	423,725
Intergovernmental - State . . . . .	4,231,597	50,320		1,091,630		5,373,547
Intergovernmental - Federal . . . . .	12,427	241,978				254,405
<b>Total revenue . . . . .</b>	<b>6,734,103</b>	<b>619,769</b>	<b>203,967</b>	<b>1,112,936</b>	<b>24,308</b>	<b>8,695,083</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular . . . . .	3,195,569	66,352		117,103		3,379,024
Special . . . . .	424,693	155,832				580,525
Vocational . . . . .	190,877					190,877
Other . . . . .	127,712	1,820				129,532
<b>Support services:</b>						
Pupil . . . . .	160,525	40,692				201,217
Instructional staff . . . . .	314,073	49,427		2,000	3,859	369,359
Board of Education . . . . .	8,693					8,693
Administration . . . . .	533,214	5,679	2,555			541,448
Fiscal . . . . .	156,589	10,642				167,231
Business . . . . .	231,526	707			5,351	237,584
Operations and maintenance . . . . .	498,249			26,385		524,634
Pupil transportation . . . . .	319,046	5,454				324,500
Central . . . . .		3,333				3,333
Community services . . . . .		1,725				1,725
Extracurricular activities . . . . .	181,253	230,527				411,780
Facilities acquisition and construct . . . . .	239,194	9,882		716,251		965,327
<b>Debt service:</b>						
Principal retirement . . . . .	1,190		58,360			59,550
Interest and fiscal charges . . . . .	13		4,585			4,598
<b>Total expenditures . . . . .</b>	<b>6,582,416</b>	<b>582,072</b>	<b>65,500</b>	<b>861,739</b>	<b>9,210</b>	<b>8,100,937</b>
Excess of revenues over expenditures . . . . .	151,687	37,697	138,467	251,197	15,098	594,146
<b>Other financing sources (uses):</b>						
Operating transfers out . . . . .	(14,850)					(14,850)
Proceeds from sale of notes . . . . .				3,252,000		3,252,000
Proceeds from sale of assets . . . . .	310					310
<b>Total other financing sources (uses) . . . . .</b>	<b>(14,540)</b>			<b>3,252,000</b>		<b>3,237,460</b>
Excess of revenues and other financing sources over expenditures and other financin . . . . .	137,147	37,697	138,467	3,503,197	15,098	3,831,606
Fund balances, July 1 . . . . .	688,756	112,264	0	12,915	22,164	836,099
Fund balances, June 30 . . . . .	\$825,903	\$149,961	\$138,467	\$3,516,112	\$37,262	\$4,667,705

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

**NEW LONDON LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue			Debt Service			Capital Projects			Total (Information only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Received	Actual	Variance: Favorable (Unfavorable)	Budget Received	Actual	Variance: Favorable (Unfavorable)	Budget Received	Actual	Variance: Favorable (Unfavorable)
<b>Revenue:</b>															
From local sources:															
Taxes:	\$1,926,714	\$2,049,116	\$122,402	\$15,329	\$15,288	(\$41)	\$65,186	\$171,882	\$106,696	\$2,007,229	\$2,236,286	\$229,057	\$2,007,229	\$2,236,286	\$229,057
Tuition:	153,139	162,868	9,729	4,650	4,638	(12)	314	829	515	153,139	162,868	9,729	153,139	162,868	9,729
Earnings on investments:	75,286	79,984	4,778	302,524	300,751	(1,773)				100,340	105,952	5,612	100,340	105,952	5,612
Other local revenues:	81,896	87,099	5,203	302,524	300,751	(1,773)				384,784	389,695	4,911	384,784	389,695	4,911
Intergovernmental - State:	3,987,726	4,241,191	253,465	302,524	300,751	(1,773)				4,994,643	5,287,412	292,769	4,994,643	5,287,412	292,769
Intergovernmental - Federal:	11,685	12,427	742	238,569	238,938	369				248,254	248,365	111	248,254	248,365	111
Total revenues:	6,238,366	6,654,665	416,299	699,527	697,951	(576)	65,580	172,211	107,211	2,822,392	3,030,523	208,131	2,822,392	3,030,523	208,131
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular:	3,369,697	3,233,206	136,491	102,154	93,674	8,480	43,433	34,286	9,227	117,278	117,278	0	117,278	117,278	0
Special:	519,803	441,613	78,190	192,433	167,701	24,732	38,779	48,423	10,356	2,000	2,000	0	2,000	2,000	0
Vocational:	204,047	195,696	8,351												
Other:	137,063	130,718	6,345	2,255	1,820	435				2,000	2,000	0	2,000	2,000	0
Support services:															
Pupil:	174,278	164,557	9,721	43,433	48,423	5,480	43,433	34,286	9,227	217,711	198,763	18,948	217,711	198,763	18,948
Instructional staff:	326,665	307,676	28,989	38,779	48,423	10,356				397,444	358,099	39,345	397,444	358,099	39,345
Board of Education:	9,696	8,693	1,003							9,696	8,693	1,003	9,696	8,693	1,003
Administration:	549,284	527,864	21,418	6,468	3,669	2,799	6,468	3,669	2,799	558,307	536,090	22,217	558,307	536,090	22,217
Fiscal:	161,014	156,045	4,971	11,820	10,627	1,193	750	722	28	172,834	166,670	6,164	172,834	166,670	6,164
Business:	233,852	237,852	4,000	5,455	5,455	0				234,602	234,574	28	234,602	234,574	28
Operations and maintenance:	609,546	527,815	81,731	13,178	9,882	3,296				635,932	584,221	51,711	635,932	584,221	51,711
Pupil transportation:	378,088	338,638	49,450	5,455	5,455	0				383,343	334,093	49,450	383,343	334,093	49,450
Central:										3,333	3,333	0	3,333	3,333	0
Community services:	185,697	178,561	7,136	281,028	235,776	45,262				3,450	1,725	1,725	3,450	1,725	1,725
Extracurricular activities:	302,250	239,194	63,056	13,178	9,882	3,296				4,281,133	794,665	3,486,468	4,281,133	794,665	3,486,468
Facilities acquisition and construction:										58,360	58,360	0	58,360	58,360	0
Debt service:										4,585	4,585	0	4,585	4,585	0
Principal retirement:										65,500	65,500	0	65,500	65,500	0
Interest and fiscal charges:															
Total expenditures:	2,170,980	6,672,138	4,991,158	224,526	619,013	394,487	224,526	619,013	394,487	4,111,369	9,021,904	4,910,535	4,111,369	9,021,904	4,910,535
Excess (deficiency) of revenues over (under) expenditures:	(932,614)	(917,473)	85,141	(114,969)	(11,062)	103,907	0	107,211	107,211	(3,136,423)	(2,229,272)	902,851	(3,136,423)	(2,229,272)	902,851
Other financing sources (uses):															
Refund of prior year's expenditures:	2,645	2,813	168												
Refund of prior year's receipts:	(100)	0	100												
Operating transfers out:	(20,000)	(14,850)	5,150												
Proceeds from sale of assets:															
Advances in:															
- Advances out:	(10,000)	(600)	9,400												
- Advances in:	29	310	281												
Proceeds from sale of fixed assets:															
Total other financing sources (uses):	(7,166)	(12,227)	5,061												
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses):	(939,778)	(919,786)	20,000	(114,969)	(11,062)	103,907	0	107,211	107,211	(12,891)	3,589,469	3,589,469	(12,891)	3,589,469	3,589,469
Fund balances, July 1:	860,804	860,804	0	106,468	106,468	0	0	0	0	12,842	12,842	0	982,114	982,114	0
Prior year encumbrances appropriated:	158,860	158,860	0	19,321	19,321	0	0	0	0	49	49	0	178,230	178,230	0
Fund balances, June 30:	\$59,886	\$989,884	\$909,998	\$12,820	\$116,727	\$103,907	\$0	\$107,211	\$107,211	\$0	\$3,589,469	\$3,589,469	\$72,706	\$4,783,291	\$4,710,585

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

**NEW LONDON LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable</u> <u>Trust</u>	
Operating revenues:			
Tuition and fees . . . . .	\$145		\$145
Sales/charges for services . . . . .	127,489		127,489
Interest revenue . . . . .		\$13,924	13,924
Total operating revenues . . . . .	<u>127,634</u>	<u>13,924</u>	<u>141,558</u>
Operating expenses:			
Personal services . . . . .	143,168		143,168
Contract services . . . . .	3,886		3,886
Materials and supplies . . . . .	98,146		98,146
Depreciation . . . . .	1,613		1,613
Other operating expenses . . . . .		5,955	5,955
Total operating expenses . . . . .	<u>246,813</u>	<u>5,955</u>	<u>252,768</u>
Operating income (loss) . . . . .	<u>(119,179)</u>	<u>7,969</u>	<u>(111,210)</u>
Nonoperating revenues:			
Operating grants . . . . .	69,234		69,234
Interest revenue . . . . .	538		538
Federal commodities . . . . .	24,510		24,510
Other nonoperating revenues . . . . .	71		71
Total nonoperating revenues . . . . .	<u>94,353</u>		<u>94,353</u>
Net income (loss) before operating transfer	(24,826)	7,969	(16,857)
Operating transfers in . . . . .	14,850		14,850
Net income (loss) . . . . .	(9,976)	7,969	(2,007)
Retained earnings (accumulated deficit) / fund balance, July 1 . . . . .	<u>(7,840)</u>	<u>204,789</u>	<u>196,949</u>
Retained earnings (accumulated deficit) / fund balance, June 30 . . . . .	<u>(\$17,816)</u>	<u>\$212,758</u>	<u>\$194,942</u>

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

**NEW LONDON LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from tuition and fees . . . .	\$290		\$290
Cash received from sales/service charges . .	127,436		127,436
Cash payments for personal services . . . .	(138,694)		(138,694)
Cash payments for contract services . . . .	(3,662)		(3,662)
Cash payments supplies and materials . . .	(73,062)		(73,062)
Cash payments for other expenses . . . . .		(\$5,955)	(5,955)
Net cash used in operating activities . . . . .	(87,692)	(5,955)	(93,647)
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . .	69,536		69,536
Transfers in from other funds . . . . .	14,850		14,850
Cash received from nonoperating activities .	71		71
Net cash provided by noncapital financing activities . . . . .	84,457		84,457
Cash flows from investing activities:			
Purchase of investments . . . . .		(8,623)	(8,623)
Interest received . . . . .	542	13,910	14,452
Net cash provided by (used in) investing activities . . . . .	542	5,287	5,829
Net decrease in cash and cash equivalents . . . . .	(2,693)	(668)	(3,361)
Cash and cash equivalents at beginning of year .	6,104	94,112	100,216
Cash and cash equivalents at end of year . . .	\$3,411	\$93,444	\$96,855
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss) . . . . .	(\$119,179)	\$7,969	(\$111,210)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation . . . . .	1,613		1,613
Federal donated commodities . . . . .	24,510		24,510
Interest reported as operating income . . . . .		(13,924)	(13,924)
Changes in assets and liabilities:			
Decrease in materials and supplies in v . . .	2,712		2,712
Decrease in accounts receivable . . . . .	92		92
Increase in accounts payable . . . . .	224		224
Increase in accrued wages & benefits . . . .	2,398		2,398
Increase in compensated absences paya . . .	238		238
Increase in pension obligation payable . . .	1,838		1,838
Decrease in deferred revenue . . . . .	(2,138)		(2,138)
Net cash used in operating activities . . . . .	(\$87,692)	(\$5,955)	(\$93,647)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

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

The District currently operates three elementary schools, one middle school, and one comprehensive high school. The District employs 40 non-certified and 76 certified (including administrative) full-time and part-time employees to provide services to approximately 1,209 students in grades K through 12 and various community groups, which ranks it 450<sup>th</sup> of 612 school districts in Ohio, and fifth largest of seven districts in Huron County.

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

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

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity." When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

Based upon the application of these criteria, the District has no component units. The following organizations are described due to its relationship with the District:

***JOINTLY GOVERNED ORGANIZATIONS***

**Lake Erie Education Computer Association (LEECA)**

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1999 the District paid approximately \$8,690 to LEECA.

**Huron-Erie School Employees Insurance Association**

The Huron-Erie School Employees Insurance Association (Association) is a jointly governed organization among fourteen districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870. During the year ended June 30, 1999 the District paid approximately \$745,475 to the Association.

***PUBLIC ENTITY RISK POOL***

**Ohio School Boards Association Workers' Compensation Group Rating Program**

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 13 for further information on this group rating plan.

**B. Fund Accounting**

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

***GOVERNMENTAL FUNDS***

Governmental Funds are those through which most governmental functions of the District are financed.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

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

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

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

***PROPRIETARY FUNDS***

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

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

***FIDUCIARY FUNDS***

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

***ACCOUNT GROUPS***

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

NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

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

**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999.

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 14 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

**E. Cash and Investments**

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

During fiscal 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and Certificates of Deposit. Investments are reported at cost except for investments in STAR Ohio, which are reported at fair value. Fair value is based upon quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

By policy of the Board of Education, investment earnings are assigned to the general fund, the Permanent Improvement and Project Construction capital projects funds, the Food Service, Summer School and Adult Education enterprise funds, the Public School Support and District Managed Student Activities special revenue funds, Student-Managed Activity agency funds, and certain trust funds. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments during fiscal 1999:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned By Other Funds</u>
General Fund	\$80,512	\$38,818	\$41,694

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Special Revenue Funds</u>			
Public School Support	1,067	805	626
District Managed Student Activities	3,555	1,937	1,618
<u>Capital Projects Funds</u>			
Permanent Improvement	177	90	87
Project Construction - Local	21,129	21,129	
<u>Enterprise Funds</u>			
Food Service	419	89	330
Rotary	94	73	21
Adult Education	25	17	8
Nonexpendable Trust	13,924	7,767	6,157
<u>Agency Fund</u>			
Student Managed Activities	1,453	777	676

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

**F. Inventory**

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

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50

**NEW LONDON LOCAL SCHOOL DISTRICT  
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Furniture, Fixtures and Minor Equipment	8 - 20
Vehicles	4 - 6

**H. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**Entitlements**

**General Fund**

State Foundation Program  
State Property Tax Relief

**Capital Projects Fund**

State Property Tax Relief

**Non-Reimbursable Grants**

**Special Revenue Funds**

Teacher Development  
Management Information Systems  
Title I  
Title VI  
Title VI-B  
Disadvantaged Pupil Impact Aid  
Data Communication Support  
Textbook Subsidy  
Drug-Free School Grant  
Goals 2000

**Capital Project Funds**

School Net  
Technology Equity  
Emergency School Building Repair  
Ohio School Facilities Commission Grant

**Reimbursable Grants**

**General Fund**

School Bus Purchases

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

Driver Education  
Vocational Education Travel/Salary

Proprietary  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 64% of the District's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board (GASB), "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all non-certified personnel employed at June 30, 1999 and all certified personnel employed at the District for 10 years or more as of June 30, 1999 were expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

**J. Long-Term Obligations**

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

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. Generally accepted accounting principles require the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

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

**K. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**L. Fund Equity**

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

**M. Interfund Transactions**

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

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

NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 1999.

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 19 for detail of statutory reserves.

**O. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ (646)
<u>Capital Projects Funds</u>	
Emergency School Building Repair	(600)
<u>Enterprise Funds</u>	
Food Service	(19,990)

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These funds complied with Ohio state law which does not permit a cash basis deficit at year end.

The deficit fund balance in the Disadvantaged Pupil Impact Aid special revenue fund is due to the reporting of accruing wages and benefits payable as a fund liability. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Emergency School Building Repair capital projects fund is due to the reporting of an interfund loan as a fund liability rather than as an "other financing source". This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit retained earnings in the Food Service enterprise fund is due to the reporting of accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be funded by user charges and other subsidies not recognized and recorded at June 30.

**B. Agency Fund**

The following accrual for the Student-Managed Activity agency fund would be recognized in the combined balance sheet in other fund types:

**ASSET**

Accrued interest receivable	\$ 84
Accounts receivable	2,021

**LIABILITIES**

Accounts payable	763
------------------	-----

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

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents" and "Investments". 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.

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

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

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

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

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

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

*Deposits:* At year end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$380,136 and the bank balance, including non-negotiable certificates of deposit, was \$349,975. Of the bank balance:

1. \$210,259 was covered by federal depository insurance.
2. \$139,716 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	Reported Amount	Fair Value
Investment in STAR Ohio	<u>\$4,819,405</u>	<u>\$4,819,405</u>
Total investments	<u>\$4,819,405</u>	<u>\$4,819,405</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$4,980,847	\$ 218,694
Investments of the cash management pool:		
Investment in STAR Ohio	(4,819,405)	4,819,405
Certificates of deposit	<u>218,694</u>	<u>(218,694)</u>
GASB Statement No. 3	<u>\$ 380,136</u>	<u>\$4,819,405</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ ---	\$(14,850)
<u>Enterprise Funds</u>		
Food Service	<u>14,850</u>	<u>---</u>
Totals	<u>\$14,850</u>	<u>\$(14,850)</u>

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$600	\$ ---
<u>Capital Projects Funds</u>		
Emergency School Building Repair	<u>---</u>	<u>(600)</u>
Totals	<u>\$600</u>	<u>\$(600)</u>

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**NOTE 6 - PROPERTY TAXES**

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

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

The assessed value upon which the 1998 taxes were collected was \$66,382,310. Agricultural/Residential and public utility/mineral real estate represented 75.2% or \$49,978,060 of this total; Commercial/Industrial real estate represented 8.80% or \$5,839,300; public utility tangible represented 8.79% or \$5,836,570 and general tangible property represented 7.12% or \$4,728,380. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$29.70 per \$1,000.00 of assessed valuation.

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

The Ashland, Lorain and Huron County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District their portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. A total of \$252,172 was available to the District as an advance at June 30, and is recognized as revenue.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District has authorized, through voter approval, an annual 1% school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the

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District, and credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 1999 was \$767,353.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,449,908
School district income tax	284,446
Accounts	12,370
Accrued interest	11,660
Due from other governments	1,050
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	239,416
Due from other governments	19,887
Accounts	1,858
 <u>Debt Service Funds</u>	
Taxes - current and delinquent	38,051
 <u>Enterprise Funds</u>	
Due from other governments	9,421

**NOTE 9 - FIXED ASSETS**

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

	<u>Balance at July 1, 1998</u>	<u>Increase</u>	<u>Deletions</u>	<u>Balance at June 30, 1999</u>
Land/improvements	\$ 71,953	\$237,143	\$ ---	\$ 309,096
Buildings/improvements	2,194,014	---	---	2,194,014
Equipment and vehicles	<u>1,497,585</u>	<u>350,927</u>	<u>(34,637)</u>	<u>1,813,875</u>
<b>Total</b>	<u>\$3,763,552</u>	<u>\$588,070</u>	<u>\$(34,637)</u>	<u>\$4,316,985</u>

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A summary of the proprietary fixed assets at June 30, 1999 follows:

Furniture and equipment	\$59,536
Less: accumulated depreciation	<u>(46,106)</u>
Net fixed assets	<u>\$13,430</u>

**NOTE 10 - CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended June 30, 1999 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1998	\$ 0
Current contributions from general fund	<u>5,700</u>
Contributed capital, June 30, 1999	<u>\$5,700</u>

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for the acquisition of copiers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the FASB, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. The lease agreements expired in fiscal year 1999. Principal and interest payments in the 1999 fiscal year totaled \$1,190 and \$13, respectively. These amounts are reflected as debt service payments in the general fund.

The District does not have a capitalized lease obligation after fiscal year 1999.

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**NOTE 12 - LONG-TERM OBLIGATIONS**

- A. Asbestos removal loans outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund.

The following is a description of the notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/99</u>
Asbestos Removal Loan, 1989	N/A	05/17/89	05/30/08	\$18,010
Asbestos Removal Loan, 1995	N/A	12/07/94	05/31/08	44,220
				<u>\$62,230</u>

- B. The following is a summary of the District's future annual debt service requirements to maturity for the asbestos removal loans:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 7,000	\$ 0	\$ 7,000
2001	7,000	0	7,000
2002	7,000	0	7,000
2003	7,000	0	7,000
2004	7,000	0	7,000
2005-2008	27,230	0	27,230
Total	<u>\$62,230</u>	<u>\$ 0</u>	<u>\$62,230</u>

- C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated Absences	\$589,081	\$ 82,727	\$(119,490)	\$ 552,318
Pension Obligation Payable	37,025	45,712	(37,025)	45,712
Notes Payable	120,590	---	(58,360)	62,230
Bond Anticipation Notes	0	3,252,000	---	3,252,000
Capital Leases	1,190	---	(1,190)	0
Total Long-Term Obligations	<u>\$747,886</u>	<u>\$3,380,439</u>	<u>\$(216,065)</u>	<u>\$3,912,260</u>

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- D.** On April 8, 1999 the District issued \$3,252,000 in bond anticipation notes to begin the construction of a new high school, middle school and elementary building. These notes bear an annual interest rate of 3.35% and mature on October 8, 1999. The bond anticipation notes will be retired when the District issues general obligation bonds in October, 1999. In accordance with FASB Statement No. 6, Classification of Short-Term Obligations Expected to Be Refinanced, the bond anticipation notes are considered long term obligations because they have been replaced with long term bonds before the financial statements have been issued. A summary of the bond anticipation note transactions for the year ended June 30, 1999 follows:

	<u>Principal Outstanding June 30, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 1999</u>
<u>Capital Projects Funds</u>				
Bond Anticipation Notes - 3.35%	<u>\$ 0</u>	<u>\$3,252,000</u>	<u>\$ ---</u>	<u>\$3,252,000</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$6,112,875 (including available funds of \$138,467) and an unvoted debt margin of \$66,382.

**NOTE 13 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Utica National Company which includes boiler coverage. The deductible is \$500 per incident. All vehicles are insured with Nationwide Insurance Company and have a \$100 deductible on collision and \$50 on comprehensive. All board members, administrators and employees are covered under a school district liability policy with Nationwide Insurance. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 aggregate.

**B. Employee Dishonesty Bonds**

The board president is covered with a surety bond for \$20,000 through the OSBA Board Program. The superintendent and the treasurer are covered by a \$20,000 and a \$100,000 surety bond respectively. The student activity clerk/treasurer's secretary is also covered by a surety bond in the amount of \$10,000. These bonds are all with the Western Surety Company. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$10,000. This coverage is provided by the State Auto Insurance Company.

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**C. Workers' Compensation**

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2. A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**D. Huron-Erie School Employees Insurance Association**

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

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

**NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of Food Services, Rotary, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

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	<u>Food Services</u>	<u>Rotary</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$127,489	\$ 145	\$ ---	\$127,634
Operating expenses before depreciation	244,291	909	---	245,200
Depreciation	1,613	---	---	1,613
Operating loss	(118,415)	(764)	---	(119,179)
Operating grants	69,234	---	---	69,234
Operating transfers in	14,850	---	---	14,850
Net income (loss)	(9,402)	(622)	48	(9,976)
Net working capital	(15,077)	1,692	482	(12,903)
Total assets	39,270	1,692	482	41,444
Total liabilities	53,560	---	---	53,560
Total retained earnings (accumulated deficit)	(19,990)	1,692	482	(17,816)
Contributed capital	5,700	---	---	5,700
Total fund equity (deficit)	(14,290)	1,692	482	(12,116)
Encumbrances at June 30, 1999	288	---	---	288

**NOTE 15 - 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 public employee retirement system administered by the School Employees Retirement Board (SERB). SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The

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District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$175,283, \$141,685, and \$130,400, respectively. Of the contribution requirement, 66 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$60,210, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered salary; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$521,681, \$515,630, and \$573,300, respectively. Of the contribution requirement, 86 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1998 and 1997. \$75,076, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The District's liability is 6.2 percent of wages paid.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, The Board allocated employer

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contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$41,734 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$100,937 during the 1999 fiscal year.

**NOTE 17 - 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 Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

**Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (49,780)	\$(11,062)	\$107,211	\$3,576,578
Net adjustment for revenue accruals	99,418	11,818	31,256	97,705
Net adjustment for expenditure accruals	(1,446)	(5,383)	---	(180,621)
Net adjustment for other financing sources/(uses)	(2,213)	---	---	(600)
Adjustment for encumbrances	<u>91,168</u>	<u>42,324</u>	<u>---</u>	<u>10,135</u>
GAAP basis	<u>\$137,147</u>	<u>\$ 37,697</u>	<u>\$138,467</u>	<u>\$3,503,197</u>

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

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

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,691,438 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine that effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 19 - 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, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$35,998
Current year set-aside requirement	94,794	94,794	47,600
Current year offsets	(16,938)	(15,288)	0
Qualifying disbursements	<u>(139,982)</u>	<u>(156,217)</u>	<u>0</u>
Total	<u>\$(62,126)</u>	<u>\$(76,711)</u>	<u>\$83,598</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$83,598</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$83,598</u>
Total restricted assets	<u>\$83,598</u>

**NOTE 20 - YEAR 2000 ISSUE**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The equipment inventory and vehicle inventory system software supported with the OECN State Software is compliant with the Year 2000 beginning with the March 1999 release of SAS V2.0.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Huron, Lorain and Ashland Counties collect property taxes for distribution to the District. Huron, Lorain and Ashland Counties are responsible for remediating their respective tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

foundation” and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District’s remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

NEW LONDON LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Ohio Department of Education:</u>			
Proficiency Intervention	84.276	046821-AB-S1-98	\$ -
	84.276	046821-AB-S1-99	<u>40,500</u>
Total Proficiency Intervention			\$ 40,500
Education Consolidation & Improvement Act - Title I	84.010	046821-C1-S1-98	-
	84.010	046821-C1-S1-98	13,847
	84.010	046821-C1-S1-99	<u>112,680</u>
Total Title I			\$ 126,527
Handicapped Preschool & School Programs - Title VI-B	84.027	046821-6B-SF-97P	-
	84.027	046821-6B-SF-99P	<u>59,388</u>
Total VI-B - (Special Education Cluster)			\$ 59,388
Education Consolidation & Improvement Act - Title II	84.298	046821-C2-S1-98	-
	84.298	046821-C2-S1-99	<u>4,400</u>
Total Title II			\$ 4,400
Drug Free School Program	84.186	046821-DR-S1-98	-
	84.186	046821-DR-S1-98	-
	84.186	046821-DR-S1-99	<u>5,124</u>
Total Drug Free School Program			\$ 5,124
Total U.S. Department of Education			<u><u>\$ 135,939</u></u>

U.S. DEPARTMENT OF AGRICULTURE  
Passed Through Ohio Department of Education:

National School Lunch Prog.	10.555	046821	65,589
Food Distribution Prog.		(Non-Cash Assistance)	<u>22,372</u>
Total U.S. Department of Agriculture - (Nutrition Cluster)			\$ 87,961
Total Federal Financial Assistance			<u><u>\$ 223,900</u></u>

The accompanying notes are an integral part of this schedule.

PROGRAM BALANCE 6/30/98	FEDERAL RECEIPTS	FEDERAL DISBURSEMENTS	PROGRAM BALANCE 6/30/99
\$ 1,891	\$ -	1,891	-
-	40,500	25,386	14,614
<u>\$ 1,891</u>	<u>\$ 40,500</u>	<u>\$ 27,277</u>	<u>\$ 14,614</u>
3,922	-	3,922	-
13,329	13,847	27,186	-
-	112,680	106,518	6,162
<u>\$17,241</u>	<u>\$126,527</u>	<u>\$ 137,626</u>	<u>\$ 6,162</u>
8,146	-	8,146	-
-	59,388	53,012	6,376
<u>\$ 8,146</u>	<u>\$ 59,388</u>	<u>\$ 61,158</u>	<u>\$ 6,376</u>
2,559	-	2,559	-
-	4,400	4,054	346
<u>\$ 2,559</u>	<u>\$ 4,400</u>	<u>\$ 6,613</u>	<u>\$ 346</u>
6,157	-	6,157	-
180	-	180	-
-	5,124	3,845	1,279
<u>\$ 6,337</u>	<u>\$ 5,124</u>	<u>\$ 10,182</u>	<u>\$ 1,279</u>
<u>\$36,174</u>	<u>\$235,939</u>	<u>\$ 242,856</u>	<u>\$ 28,777</u>
-	65,589	65,589	-
<u>16,622</u>	<u>22,372</u>	<u>25,676</u>	<u>13,318</u>
<u>16,622</u>	<u>87,961</u>	<u>91,265</u>	<u>13,318</u>
<u>\$ 52,396</u>	<u>\$ 323,900</u>	<u>\$ 334,121</u>	<u>\$ 42,095</u>

The accompanying notes are an integral part of this schedule.

**NEW LONDON LOCAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(1) Scope of Audit:

The New London Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. New London Local School is a local school district created under provisions of Section 3311.03 of the Ohio Revised Code. The district is operated under an elected board of education consisting of five members. The school district provides public education to residents of the district.

The district received a significant amount of Federal Program funds from the United States Department of Education pass-through the Ohio Department of Education, and the U. S. Department of Agriculture pass-through the Ohio Department of Education.

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 1999.

(2) Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards has been prepared in conformity with requirements of Circular A-133 which requires that at least expenditures be shown in the schedule.

Some Federal Revenue was received on a reimbursement basis. Expenditures were commingled with other fund monies and could not be segregated by source. An assumption was made that federal expenditures, therefore, equaled federal receipts.

The Schedule of Expenditures of Federal Awards has been prepared on the Non-GAAP basis of accounting prescribed by or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursement basis which is a basis of accounting other than generally accepted accounting principles.

**REICHERT & ASSOCIATES, CPA'S**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
New London Local School District

We have audited the financial statements of New London Local School District as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated November 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered New London Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee and management 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.

November 18, 1999  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# **REICHERT & ASSOCIATES, CPA'S**

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
New London Local School District

### **Compliance**

We have audited the compliance of New London Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999. New London Local School 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 New London Local School 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 generally accepted auditing standards; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New London Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New London Local School District's compliance with those requirements.

In our opinion, New London Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk the 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 of the audit committee, management 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.

November 18, 1999  
Findlay, Ohio

**REICHERT & ASSOCIATES, CPA'S**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**NEW LONDON LOCAL SCHOOL DISTRICT**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 1999

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Consolidation and Improvement Act-Title I CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: None Type B: all others < \$300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

NEW LONDON LOCAL SCHOOL DISTRICT

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

CITATIONS

STATUS

EXPLANATION IF NOT FULLY IMPLEMENTED

There were no citations issued in the prior audit report.

N/A

N/A

RECOMMENDATIONS

There were no recommendations in the prior audit.

N/A

N/A



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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NEW LONDON LOCAL SCHOOL DISTRICT

HURON COUNTY

**CLERK'S CERTIFICATION**

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

By: *Susan Babbitt*

Date: MARCH 2, 2000