



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Scioto County, Ohio

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER, CPAS, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

[www.bhscpas.com](http://www.bhscpas.com)





**Auditor of State  
Betty Montgomery**

Board of Education  
New Boston Local School District  
P.O. Box 3711  
New Boston, OH 45662

We have reviewed the Independent Auditor's Report of the New Boston Local School District, Scioto County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. 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 Boston Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 14, 2005

**This Page is Intentionally Left Blank.**

**BALESTRA, HARR & SCHERER, CPAS, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
New Boston Local School District  
P.O. Box 3711  
New Boston, Ohio 45662

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Boston Local School District (the District), Scioto County, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position thereof, and the respective budgetary comparison for the General fund and Remove Barriers fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.



Balestra, Harr & Scherer, CPAs, Inc.

February 16, 2005

**NEW BOSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*Unaudited*

---

As management of the New Boston Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, "*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*," issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

Net assets of governmental activities decreased \$107,711, which represents a 10 percent decrease from 2003. This is primarily due to an increase in expenditures relating to salary and benefit increases for fiscal year 2004 and expenditures relating to the School District's portion of the elevator installation project.

Total assets of governmental activities increased by \$196,683. Capital assets increased by \$466,351 due to an increase in construction in progress for a floor tile project within the high school and the completion of an elevator installation project. Equity in pooled cash and cash equivalents decreased \$128,167 due to a decrease in tax revenue and an increase in salaries and benefits, while receivables and other current assets decreased by \$141,501 due primarily to receiving grant money relating to the elevator installation project.

General revenues accounted for \$2,199,646 in revenue or 56 percent of all total revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and interest accounted for \$1,757,903 or 44 percent of total revenues of \$3,957,549.

The School District had \$4,065,260 in expenses related to governmental activities; only \$1,757,903 of these expenses were offset by program specific charges for services, operating grants, contributions, and interest. General revenues (primarily grants, entitlements and property taxes) of \$2,199,646 were not adequate to provide for these programs.

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

## **Using the Basic Financial Statements**

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand New Boston Local School District as a financial whole, an entire operating entity.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the New Boston Local School District are the General Fund and the Remove Barriers Special Revenue Fund.

## **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during 2004?"

The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.



**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

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

**Fiduciary Funds** – The School District's only fiduciary fund is an agency fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 and 2003:

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

(Table 1)  
Net Assets

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current Assets	\$1,850,300	\$2,119,968
Capital Assets	842,730	376,379
Total Assets	2,693,030	2,496,347
<b>Liabilities</b>		
Long-Term Liabilities	199,503	165,369
Other Liabilities	1,519,245	1,248,985
Total Liabilities	1,718,748	1,414,354
<b>Net Assets</b>		
Invested in Capital Assets	842,730	376,379
Restricted	142,217	592,557
Unrestricted (Deficit)	(10,665)	113,057
Total Net Assets	\$974,282	\$1,081,993

Total assets increased by \$196,683. This was primarily due to increases of \$466,351 in capital assets and decreases of \$268,642 and \$128,167 in intergovernmental receivable and equity in pooled cash and cash equivalents, respectively. Intergovernmental receivable decreased primarily due to the receipt of grant money relating to the elevator installation project within the Stanton Primary and the Oak Intermediate schools within the School District. Equity in pooled cash and cash equivalents decreased primarily due to a decrease in tax revenue coupled with an increasing amount of delinquent taxes, an increase in salary and benefit expenditures, and the receipt of a grant in fiscal year 2003 that was not awarded to the School District in fiscal year 2004. Current liabilities increased by \$270,260. This was primarily due to an increase in contracts and retainage payable of \$113,025 and \$18,890, respectively, relating to the floor tile project within the high school; and an increase in deferred revenue of \$98,318 relating to an increase in property taxes for fiscal year 2005 relating to a new valuation being conducted within Scioto County.

Invested in Capital Assets for governmental activities increased by \$466,351 due to the net increase of current year additions and deletions exceeding current year depreciation. Restricted Net Assets for governmental activities decreased by \$450,340 primarily due to the expenditures relating to the elevator installation project for which revenue was recognized in the prior year. Unrestricted Net Assets for governmental activities decreased by \$123,722 due to increased expenditures relating to salary and benefit increases and General Fund payments for a portion of the contractual work performed for the installation of the elevators.

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

Table 2, shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services, operating grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as state foundation support, unrestricted contributions, investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

(Table 2)  
Change in Net Assets

	Governmental Activities <u>2004</u>
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$932,678
Operating Grants, Contributions, and Interest	825,225
Total Program Revenues	<u>1,757,903</u>
General Revenues:	
Property Taxes	845,233
Grants and Entitlements not Restricted to Specific Programs	1,228,553
Contributions not Restricted to Specific Programs	10,464
Investment Earnings	4,386
Miscellaneous	111,010
Total General Revenues	<u>2,199,646</u>
 Total Revenues	 <u>\$3,957,549</u>
	(continued)

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

(Table 2)  
Change in Net Assets  
(continued)

	<u>Governmental Activities 2004</u>
<b>Program Expenses</b>	
Instruction:	
Regular	\$1,761,032
Special	445,646
Support Services:	
Pupils	208,398
Instructional Staff	181,487
Board of Education	17,250
Administration	544,339
Fiscal	192,200
Operation and Maintenance of Plant	385,702
Pupil Transportation	47,359
Central	7,419
Operation of Non-Instructional Services	148,465
Extracurricular Activities	87,463
Intergovernmental	38,500
Total Expenses	<u>4,065,260</u>
Decrease in Net Assets	<u><u>(\$107,711)</u></u>

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 31 percent of revenues for governmental activities of the New Boston Local School District for fiscal year 2004. Property Tax revenue made up 21 percent of the total revenue for governmental activities for a total of 52 percent of all revenue coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 43 percent of governmental program expenses. Support services expenses make up 39 percent of governmental expenses.

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

The Statement of Activities shows the cost of program services and the charges for services and operating grants, including contributions and interest, offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)  
 Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Instruction	\$2,206,678	\$883,840
Support Services	1,584,154	1,519,133
Operation of Non-Instructional Services	148,465	(19,287)
Extracurricular Activities	87,463	54,291
Intergovernmental	38,500	(130,620)
Total Expenses	<u>\$4,065,260</u>	<u>\$2,307,357</u>

**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,325,473 and expenditures of \$4,485,864. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$141,264 relating to salary and benefit increases and expenditures made relating to the elevator installation project.

**General Fund - Budget Highlights**

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

During the course of fiscal year 2004, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

The School District's ending unobligated cash balance in the General Fund was \$13,471 above the final budgeted amount.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*Unaudited*

For the General Fund, final estimated revenues was \$2,976,928, with original estimated revenue of \$2,788,610, a difference of 7 percent. This 7 percent difference was due primarily to increases in intergovernmental revenue relating to parity aid and recording of homestead and rollback, interest, tuition and fees relating to open enrollment, gifts and donations, and miscellaneous revenue coupled with a decrease in property taxes.

Final estimated expenditures were \$3,100,113 with original estimated expenditures of \$2,999,393, a difference of 3 percent. This 3 percent difference was due primarily to increases in open enrollment and community school expenditures, as well as salary increases in effect for fiscal year 2004.

**Capital Assets**

At the end of fiscal year 2004 the School District had \$842,730 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, textbooks, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003:

(Table 4)  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$19,543	\$19,543
Construction in Progress	130,498	0
Buildings and Improvements	479,708	99,870
Furniture, Fixtures and Equipment	185,654	217,188
Textbooks	23,250	26,827
Vehicles	4,077	12,951
Totals	<u>\$842,730</u>	<u>\$376,379</u>

Net Capital Assets increased from the prior year. The primary increases occurred in buildings and improvements and construction in progress. Buildings and improvements increased due to the completion of an elevator installation project that occurred during fiscal year 2004. The increase in construction in progress is due to a project within the high school for the laying of new floor tile. Decreases within furniture, fixtures, and equipment, textbooks, and vehicles also occurred from the prior year. Furniture, fixtures, and equipment decreased due to depreciation and disposals exceeding purchases. Textbooks and vehicles decreased due to depreciation.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

---

**Debt**

At June 30, 2003, the School District had no outstanding debt.

**Current Issues**

During fiscal year 2004, the New Boston Local School District was able to see completion of a major project within its primary and intermediate buildings and a beginning to one within its high school building. Elevators were installed into the primary and intermediate buildings. These elevators will allow for an increase in handicap accessibility throughout the buildings. Within the School District's high school building, a new layer of floor tile is being put down within the building. This activity at the high school is included within construction in progress of the basic financial statements.

Despite such improvements to our buildings, the New Boston Local School District's financial stability is dwindling at a steady pace. While the School District continues to carry a positive cash balance, nearly forty percent of the General Fund monies come from the State of Ohio. Therefore, we are greatly impacted by State budget cuts, and with State funding being an unpredictable issue, forecasting is very problematic for the New Boston Local School District.

Another contributor to the financial condition of the School District is the decline in property tax revenue due to the closing of the New Boston Coke Corporation. At the time of its closing, the corporation owed over \$800,000 in general and personal property taxes. Of this amount, approximately 67 percent was owed to the School District. This was a tremendous loss to the School District and one we are still attempting to overcome.

Despite our funding difficulties, our students continue to do well. We have attained 14 of 18 points on our report card and a 96.4% passage on the 9<sup>th</sup> grade proficiency tests. Our staff and students strive for, and achieve, excellence regardless of our budget cuts.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Donna Grimm, Treasurer at New Boston Local School District, 552 Glenwood Avenue, New Boston, Ohio 45662, or email [dgrimm@newboston.k12.oh.us](mailto:dgrimm@newboston.k12.oh.us).

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$136,228
Equity in Restricted Pooled Cash and Cash Equivalents	85,419
Materials and Supplies Inventory	18,557
Intergovernmental Receivable	266,980
Prepaid Items	19,185
Property Taxes Receivable	1,323,931
Capital Assets:	
Land	19,543
Construction in Progress	130,498
Depreciable Capital Assets, Net	<u>692,689</u>
<i>Total Assets</i>	<u>2,693,030</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	2,112
Contracts Payable	113,025
Accrued Wages and Benefits Payable	343,942
Intergovernmental Payable	110,770
Retainage Payable	18,890
Deferred Revenue	930,506
Long-Term Liabilities:	
Due Within One Year	52,372
Due in More Than One Year	<u>147,131</u>
<i>Total Liabilities</i>	<u>1,718,748</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets	842,730
Restricted for Other Purposes	75,688
Restricted for Set Asides	66,529
Unrestricted (Deficit)	<u>(10,665)</u>
<i>Total Net Assets</i>	<u><u>\$974,282</u></u>

See accompanying notes to the basic financial statements



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Activities

For the Fiscal Year Ended June 30, 2004

		Program Revenues		Net (Expense)
				Revenue and Changes
				in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Total Governmental Activities
<b><u>Governmental Activities</u></b>				
Instruction:				
Regular	\$1,761,032	\$769,088	\$100,597	(\$891,347)
Special	445,646	104,379	348,774	7,507
Support Services:				
Pupils	208,398	0	6,920	(201,478)
Instructional Staff	181,487	0	45,876	(135,611)
Board of Education	17,250	0	0	(17,250)
Administration	544,339	0	0	(544,339)
Fiscal	192,200	0	0	(192,200)
Operation and Maintenance of Plant	385,702	5,476	0	(380,226)
Pupil Transportation	47,359	0	1,749	(45,610)
Central	7,419	0	5,000	(2,419)
Operation of Non-Instructional Services	148,465	27,242	140,510	19,287
Extracurricular Activities	87,463	26,493	6,679	(54,291)
Intergovernmental	38,500	0	169,120	130,620
<i>Total Governmental Activities</i>	<u>\$4,065,260</u>	<u>\$932,678</u>	<u>\$825,225</u>	<u>(2,307,357)</u>
<b><u>General Revenues</u></b>				
Property Taxes Levied for:				
				845,233
				General Purposes
				Grants and Entitlements not
				Restricted to Specific Programs
				1,228,553
				Contributions not Restricted to Specific Programs
				10,464
				Investment Earnings
				4,386
				Miscellaneous
				<u>111,010</u>
				<i>Total General Revenues</i>
				<u>2,199,646</u>
				Change in Net Assets
				(107,711)
				<i>Net Assets Beginning of Year - See Note 3</i>
				<u>1,081,993</u>
				<i>Net Assets End of Year</i>
				<u>\$974,282</u>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Remove Barriers	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Remove Barriers</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$101,364	\$6,536	\$28,328	\$136,228
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	66,529	18,890	0	85,419
Receivables:				
Property Taxes	1,323,931	0	0	1,323,931
Intergovernmental	0	166,655	100,325	266,980
Interfund	22,891	0	0	22,891
Prepaid Items	19,185	0	0	19,185
Materials and Supplies Inventory	15,352	0	3,205	18,557
<i>Total Assets</i>	<u>\$1,549,252</u>	<u>\$192,081</u>	<u>\$131,858</u>	<u>\$1,873,191</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$2,112	\$0	\$0	\$2,112
Contracts Payable	8,362	104,663	0	113,025
Accrued Wages and Benefits Payable	279,975	0	63,967	343,942
Intergovernmental Payable	66,890	0	9,997	76,887
Interfund Payable	0	0	22,891	22,891
Retainage Payable	0	18,890	0	18,890
Deferred Revenue	1,302,441	2,000	23,221	1,327,662
<i>Total Liabilities</i>	<u>1,659,780</u>	<u>125,553</u>	<u>120,076</u>	<u>1,905,409</u>
<b><u>Fund Balances:</u></b>				
Reserved for Encumbrances	13,084	200,159	2,090	215,333
Reserved for Property Taxes	21,490	0	0	21,490
Reserved for Capital Improvements	66,529	0	0	66,529
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	(211,631)	0	0	(211,631)
Special Revenue Funds	0	(133,631)	9,692	(123,939)
<i>Total Fund Balances (Deficit)</i>	<u>(110,528)</u>	<u>66,528</u>	<u>11,782</u>	<u>(32,218)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,549,252</u>	<u>\$192,081</u>	<u>\$131,858</u>	<u>\$1,873,191</u>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004

**Total Governmental Fund Balances** (\$32,218)

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and  
 therefore are not reported in the funds. These assets consist of:

Land	19,543	
Construction in progress	130,498	
Other capital assets	2,961,167	
Accumulated depreciation	(2,268,478)	
Total capital assets	842,730	842,730

Some of the School District's revenues will be collected after fiscal year-end,  
 but are not available soon enough to pay for the current period's expenditures  
 and therefore are deferred in the funds.

Delinquent property taxes	371,935	
Intergovernmental	25,221	
	397,156	397,156

Intergovernmental Payable includes contractually required pension contributions  
 not expected to be paid with expendable available financial resources and  
 therefore not reported in the funds. (33,883)

Some liabilities are not due and payable in the current period and therefore are  
 not reported in the funds. Those liabilities consist of:

Special termination benefits	(22,774)	
Compensated absences	(176,729)	
Total liabilities	(199,503)	(199,503)

**Net Assets of Governmental Activities** \$974,282

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Remove Barriers	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$791,123	\$0	\$0	\$791,123
Intergovernmental	1,169,091	408,714	891,241	2,469,046
Interest	4,201	0	272	4,473
Tuition and Fees	873,467	0	0	873,467
Extracurricular Activities	0	0	26,493	26,493
Customer Sales and Service	0	0	32,718	32,718
Contributions and Donations	10,464	0	6,679	17,143
Miscellaneous	111,010	0	0	111,010
<i>Total Revenues</i>	<u>2,959,356</u>	<u>408,714</u>	<u>957,403</u>	<u>4,325,473</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	1,417,467	0	309,323	1,726,790
Special	154,554	0	299,943	454,497
Support Services:				
Pupils	198,322	0	8,873	207,195
Instructional Staff	90,695	0	84,096	174,791
Board of Education	17,250	0	0	17,250
Administration	532,633	14,107	0	546,740
Fiscal	173,126	0	0	173,126
Operation and Maintenance of Plant	424,561	417,365	32,563	874,489
Pupil Transportation	31,661	0	2,500	34,161
Central	2,419	0	5,000	7,419
Operation of Non-Instructional Services	1,851	0	141,978	143,829
Extracurricular Activities	56,081	0	30,996	87,077
Intergovernmental	0	0	38,500	38,500
<i>Total Expenditures</i>	<u>3,100,620</u>	<u>431,472</u>	<u>953,772</u>	<u>4,485,864</u>
<i>Net Change in Fund Balances</i>	(141,264)	(22,758)	3,631	(160,391)
<i>Fund Balances Beginning of Year - Restated Note 3</i>	<u>30,736</u>	<u>89,286</u>	<u>8,151</u>	<u>128,173</u>
<i>Fund Balances End of Year (Deficit)</i>	<u>(\$110,528)</u>	<u>\$66,528</u>	<u>\$11,782</u>	<u>(\$32,218)</u>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds** (\$160,391)

*Amounts reported for governmental activities in the statement of activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	536,727	
Depreciation expense	(70,106)	
Excess of capital outlay over depreciation expense		466,621

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Loss on disposal of capital assets		(270)
------------------------------------	--	-------

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	54,110	
Intergovernmental	(422,034)	
		(367,924)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(38,865)	
Decrease in special termination benefits payable	4,731	
Increase in intergovernmental payable	(11,613)	
Total (increase)/decrease		(45,747)

**Change in Net Assets of Governmental Activities** (\$107,711)

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2004

	Budget Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive/(Negative)
<b><u>Revenues:</u></b>				
Property Taxes	\$1,043,000	\$887,122	\$808,872	(\$78,250)
Intergovernmental	911,177	1,090,841	1,169,091	78,250
Interest	3,544	4,243	4,243	0
Tuition and Fees	729,605	873,467	873,467	0
Contributions and Donations	8,741	10,464	10,464	0
Miscellaneous	92,543	110,791	110,791	0
<i>Total Revenues</i>	2,788,610	2,976,928	2,976,928	0
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	1,148,813	1,127,143	1,126,407	736
Special	179,659	153,018	152,895	123
Other	171,847	285,261	285,261	0
Support Services:				
Pupils	190,210	196,103	196,103	0
Instructional Staff	102,754	91,105	91,105	0
Board of Education	18,598	17,313	17,313	0
Administration	474,345	513,606	515,988	(2,382)
Fiscal	174,095	171,416	171,606	(190)
Operation and Maintenance of Plant	447,103	452,026	437,484	14,542
Pupil Transportation	38,091	34,858	34,216	642
Central	2,392	2,446	2,446	0
Operation of Non-Instructional Services	0	1,851	1,851	0
Extracurricular Activities	50,145	53,967	53,967	0
Capital Outlay	1,341	0	0	0
<i>Total Expenditures</i>	2,999,393	3,100,113	3,086,642	13,471
Excess of Revenues Under Expenditures	(210,783)	(123,185)	(109,714)	13,471
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	219	219	219	0
Operating Transfers Out	(404)	0	0	0
Advances In	15,188	15,188	15,188	0
Advances Out	(33,022)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	(18,019)	15,407	15,407	0
Net Change in Fund Balance	(228,802)	(107,778)	(94,307)	13,471
Fund Balance at Beginning of Year	228,610	228,610	228,610	0
Prior Year Encumbrances Appropriated	10,057	10,057	10,057	0
Fund Balance at End of Year	\$9,865	\$130,889	\$144,360	\$13,471

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Remove Barriers Fund  
For the Fiscal Year Ended June 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Intergovernmental	\$440,476	\$273,821	\$273,821	\$0
<b><u>Expenditures:</u></b>				
Current:				
Support Services:				
Administration	27,000	25,480	25,480	0
Operation and Maintenance of Plant	473,000	606,151	606,151	0
<i>Total Expenditures</i>	<u>500,000</u>	<u>631,631</u>	<u>631,631</u>	<u>0</u>
Net Change in Fund Balance	(59,524)	(357,810)	(357,810)	0
Fund Balance at Beginning of Year	<u>59,524</u>	<u>59,524</u>	<u>59,524</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>(\$298,286)</u></u>	<u><u>(\$298,286)</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2004

**Assets:**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$29,512</u></u>
--	------------------------

**Liabilities:**

Undistributed Monies	<u><u>\$29,512</u></u>
----------------------	------------------------

See accompanying notes to the basic financial statements



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1906 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 6 square miles. It is located in Scioto County, and includes all of the Village of New Boston. It is staffed by 17 non-certificated employees, 35 certificated full-time teaching personnel and 6 administrative employees who provide services to 438 students and other community members. The School District currently operates three instructional buildings, one stadium, and one garage.

*Reporting Entity:*

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

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

The School District participates in six organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Research Center, the Scioto County Schools Council of Governments, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

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

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

*Governmental Funds:*

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

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

Remove Barriers Fund - The Remove Barriers Fund is used to account for all intergovernmental monies received and expended in connection with the contracts entered into by the School District for the addition of elevators within the School District's buildings.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

*Fiduciary Funds:*

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

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

**C. Measurement Focus**

*Government-wide Financial Statements*

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements*

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide fund financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions*

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance and grants.

*Deferred Revenue*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

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

**E. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year, including all supplemental appropriations.

**F. Cash and Cash Equivalents**

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

During fiscal year 2004, investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio).

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$4,201, which includes \$2,758 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for capital improvements. See Note 19 for additional information regarding set-asides. Restricted assets in the Remove Barriers fund represent cash required to be set-aside by the School District for retainage payable to contractors.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

**K. Capital Assets**

All capital assets of the School District are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	10 - 20 years
Textbooks	5 - 8 years
Vehicles	5 - 10 years

**L. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

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

**N. Interfund Transactions**

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

**O. Fund Balance Reserves**

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

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

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

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

**Q. Estimates**

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the School District has implemented GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments,*” GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”, GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”, GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units*”, GASB Statement No. 41, “*Budgetary Comparison Schedules - Perspective Differences.*”, and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*”.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosure.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, “*The Financial Reporting Entity*”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2004.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2004.

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

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES** (continued)

The implementation of these statements and the reclassification of the Food Service Fund from an enterprise fund to a special revenue fund had the following effect on the fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Remove Barriers</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$19,327	\$89,286	\$47,346	\$155,959
Interpretation No. 6 Adjustment	11,409	0	882	12,291
Fund Reclassification	<u>0</u>	<u>0</u>	<u>(40,077)</u>	<u>(40,077)</u>
Adjusted Fund Balances, June 30, 2003	<u><u>\$30,736</u></u>	<u><u>\$89,286</u></u>	<u><u>\$8,151</u></u>	128,173

GASB 34 Adjustments:

Deferred Assets:

Intergovernmental Receivables 447,255

Delinquent Property Taxes 317,825

Capital Assets 376,379

Intergovernmental Payables (22,270)

Long Term Liabilities:

Special Termination Benefits Payable (27,505)

Compensated Absences Payable (137,864)

Adjusted Governmental Activities Net Assets, June 30, 2003 \$1,081,993

Food Service  
Enterprise Fund

Fund Equity, June 30, 2003 (\$24,897)

Fund Reclassification 24,897

Restated Fund Equity, June 30, 2003 \$0

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2004, the General Fund and the Food Service, Title VI-B, and Title II-A Special Revenue Funds had deficit fund balances of \$110,528, \$13,421, \$342, and \$5,336, respectively. The General Fund deficit fund balance was the result of liability accruals. On a cash basis, the School District had a General Fund balance of \$144,360. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Remove Barriers Special Revenue Fund had final appropriations in excess of final estimated revenues and available fund balance of \$298,286 for the fiscal year-ended June 30, 2004.

The School District will monitor budgetary controls more closely in the future to alleviate such compliance issues.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund and the Remove Barriers Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Remove Barriers Special Revenue Fund.

	Net Change in Fund Balances	
	General	Remove Barriers
GAAP Basis	(\$141,264)	(\$22,758)
Adjustments:		
Revenue Accruals	17,833	(134,893)
Expenditure Accruals	37,511	123,553
Unrecorded Cash - Fiscal Year 2003	(42)	0
Advances	15,188	0
Encumbrances	(23,533)	(323,712)
Budget Basis	<u>(\$94,307)</u>	<u>(\$357,810)</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

At fiscal year-end, the School District had \$100 in undeposited cash on hand. This is included in "Equity in Pooled Cash and Cash Equivalents" on the balance sheet in the General Fund.

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$139,065 and the bank balance was \$196,558. Of the bank balance, \$100,000 was covered by federal depository insurance and \$96,558 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>
STAROhio	<u>\$111,994</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting.*"

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$251,159	\$0
Cash on Hand	(100)	0
Investments:		
STAROhio	(111,994)	111,994
GASB Statement No. 3	<u>\$139,065</u>	<u>\$111,994</u>

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 7 - PROPERTY TAXES** (continued)

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

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

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

The amount available as an advance at June 30, 2004, was \$21,490 in the General Fund. The amount available as an advance at June 30, 2003, was \$39,239 in the General Fund.

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

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$23,900,260	63.77%	\$23,956,350	69.79%
Public Utility	3,668,050	9.79%	3,651,600	10.64%
Tangible Personal Property	9,910,840	26.44%	6,715,478	19.57%
Total Assessed Value	<u>\$37,479,150</u>	<u>100.00%</u>	<u>\$34,323,428</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$33.84		 \$33.84	

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, intergovernmental grants, and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Remove Barriers	\$166,655
Title I	63,221
Food Service	17,824
Title VI-B, Rural and Low Income	8,972
Title IV-B, Special Education Part-B	7,663
Title II-A, Improving Teacher Quality	<u>2,645</u>
Total Intergovernmental Receivables	<u><u>\$266,980</u></u>

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

Total Capital Assets Not Being Depreciated	<u>19,543</u>	<u>130,498</u>	<u>0</u>	<u>150,041</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	619,239	384,180	0	1,003,419
Furniture, Fixtures and Equipment	1,278,039	22,049	(7,117)	1,292,971
Textbooks	486,779	0	0	486,779
Vehicles	<u>177,998</u>	<u>0</u>	<u>0</u>	<u>177,998</u>
Totals at Historical Cost	<u>2,562,055</u>	<u>406,229</u>	<u>(7,117)</u>	<u>err</u>
Less Accumulated Depreciation:				
Building and Improvements	(519,369)	(4,342)	0	(523,711)
Furniture, Fixtures and Equipment	(1,060,851)	(53,313)	6,847	(1,107,317)
Textbooks	(459,952)	(3,577)	0	(463,529)
Vehicles	<u>(165,047)</u>	<u>(8,874)</u>	<u>0</u>	<u>(173,921)</u>
Total Accumulated Depreciation	<u>(2,205,219)</u>	<u>(70,106) *</u>	<u>6,847</u>	<u>(2,268,478)</u>
Total Capital Assets Being Depreciated, Net	<u>356,836</u>	<u>336,123</u>	<u>(270)</u>	<u>692,689</u>
Governmental Activities Capital Assets, Net	<u>\$376,379</u>	<u>\$466,621</u>	<u>(\$270)</u>	<u>\$842,730</u>

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 9 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$38,611
Special	4,699
Support Services:	
Pupils	900
Instructional Staff	4,762
Administration	3,607
Fiscal	1,156
Operation and Maintenance of Plant	2,040
Pupil Transportation	12,196
Operation of Non-Instructional Services	1,749
Extracurricular Activities	386
Total Depreciation Expense	<u><u>\$70,106</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Portsmouth Insurance Agency for property and inland marine insurance and with Harcum-Hyre Insurance for fleet insurance. The types and amounts of coverage follow:

Building and Contents replacement cost (\$1,000 deductible)	\$14,881,282
Inland Marine Coverage (\$1,000 deductible)	13,863,915
Boiler and Machinery	No Limit
Crime Insurance (\$1,000 deductible)	50,000
Automobile Liability - Comprehensive (\$50 deductible)	1,000,000
Automobile Liability - Collision (\$100 deductible)	1,000,000

During fiscal year 2004, the School District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18).

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 10 - RISK MANAGEMENT** (continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:

Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	\$1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Fire Damage Limit - Any One Event	500,000
Medical Expense Limit - Per Person / Accident	10,000
Medical Expense Limit - Each Accident	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000

Employer's Liability:

Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000

Employee Benefits Liability:

Per Claim	1,000,000
Aggregate Limit	3,000,000

Educational Legal Liability (\$5,000 deductible):

Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant reduction in the fire damage limit of the insurance coverage from last year.

The School District is a member of the Scioto County Schools Council of Governments, a public entity shared risk pool (Note 17), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 10 - RISK MANAGEMENT** (continued)

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$53,458, \$47,027, and \$28,175, respectively; 52.68 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$25,299, represents the unpaid contribution for fiscal year 2004.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$239,334, \$228,522, and \$149,921, respectively; 83.20 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$3,309 made by the School District and \$3,193 made by the plan members.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$18,410 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$36,783.



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Unlimited sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for all employees.

**B. Special Termination Benefits**

Any employee who retires may be given an additional severance payment. Employees who have accumulated more than 212 sick leave days receive an additional amount at the rate of .08 percent of their current annual salary for each day accumulated in excess of 212 days.

**C. Life Insurance**

The School District provides life insurance to employees through SunLife.

**D. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03	Additions	Deductions	Amount Outstanding 6/30/04	Amount Due Within One Year
Compensated Absences	\$137,864	\$84,732	\$45,867	\$176,729	\$40,576
Special Termination Benefits	27,505	4,882	9,613	22,774	11,796
Total General Long-Term Obligations	<u>\$165,369</u>	<u>\$89,614</u>	<u>\$55,480</u>	<u>\$199,503</u>	<u>\$52,372</u>

Compensated absences will be paid from the General Fund and the Food Service, Title VI-B, Title I, and Title II-A Special Revenue Funds. Special termination benefits will be paid from the General Fund and the Title I Special Revenue Fund.

The School District's overall legal debt margin was \$3,089,109 with an unvoted debt margin of \$34,323 at June 30, 2004.

**NOTE 15 – INTERFUND ACTIVITY**

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<b>Receivable</b>
	<u>General</u>
<b>Payable</b> All Other	
Nonmajor Funds	<u>\$22,891</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the nonmajor governmental funds.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$3,904 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**B. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

**C. Pilasco-Ross Special Education Regional Resource Center**

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

---

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

**NOTE 17 - PUBLIC ENTITY SHARED RISK POOL**

**Scioto County Schools Council of Governments**

The School District is a member of the Scioto County Schools Council of Governments, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council of Governments. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members' employees and their dependents, to obtain lower costs for health and dental coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts.

The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

**NOTE 18 - INSURANCE PURCHASING POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 18 - INSURANCE PURCHASING POOLS** (continued)

**B. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NOTE 19 - SET-ASIDE CALCULATIONS**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2003	(\$115,264)	\$69,211
Current Year Set-aside Requirement	55,522	55,522
Qualifying Disbursements	<u>(27,998)</u>	<u>(58,204)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$87,740)</u>	<u>\$66,529</u>
Set-aside Reserve Balance as of June 30, 2004		<u><u>\$66,529</u></u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

---

**NOTE 20 – CONTRACTUAL COMMITMENTS**

The School District has the following outstanding contractual commitments at June 30, 2004:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At June 30, 2004</u>
Cardinal Environmental Services, Inc.	\$173,400	\$116,390	\$57,010
Gandee & Associates, Inc.	13,800	4,770	9,030
Tanner & Stone	11,680	9,338	2,342
Total	<u>\$198,880</u>	<u>\$130,498</u>	<u>\$68,382</u>

**NOTE 21 – STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation**

The School District is party to one legal proceeding. The case is currently pending in the U.S District Court. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

New Boston Local School District  
Scioto County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Donation	NA	10.550	\$0	\$13,806	\$0	\$13,806
School Breakfast Program	05PU	10.553	21,731	0	21,731	0
National School Lunch	LLP4	10.555	91,197	0	91,197	0
Total Nutrition Cluster			112,928	13,806	112,928	\$13,806
<b>Total United States Department of Agriculture</b>			112,928	13,806	112,928	13,806
<b>United States Department of Education</b>						
<i>Directly Funded:</i>						
Literacy and School Libraries	N	84.364	15,972	0	15,972	0
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	C1S1	84.010	264,357	0	311,003	0
Special Education Grants to States	6BSF	84.027	63,014	0	62,408	0
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	6,920	0	6,920	0
State Grants for Innovative Programs	C2S1	84.298	2,690	0	2,690	0
Education Technology State Grants	TJS1	84.318	7,478	0	7,478	0
Rural Education Grant	RUS1	84.358	8,856	0	8,732	0
Improving Teacher Quality State Grants	TRS1	84.367	60,770	0	60,246	0
Total Passed Through Ohio Department of Education			414,085	0	459,477	0
<i>Passed Through the Ohio Schools Facilities Commission:</i>						
Federal Emergency Repair Fund	ATS3	84.352a	273,821	0	307,919	0
<b>Total United States Department of Education</b>			703,878	0	783,368	0
<b>United States Department of Homeland Security</b>						
<i>Directly Funded:</i>						
Emergency Management Performance Grants	N	97.042	0	0	1,132	0
Total Department of Homeland Security			0	0	1,132	0
<b>Total Federal Financial Assistance</b>			\$816,806	\$13,806	\$897,428	\$13,806

N/A - Not Available

N - Direct from federal government

See accompanying notes to the Schedule of Federal Awards Expenditures

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit Performed in Accordance with *Government Auditing Standards***

Members of the Board  
New Boston Local School District  
P.O. Box 3711  
New Boston, Ohio 45662

To the Board of Education:

We have audited the financial statements of the New Boston Local School District, Scioto County, Ohio (the District), as of and for the year ended June 30, 2004 and have issued our report thereon dated February 16, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2004-001.

New Boston Local School District  
Scioto County  
Independent Accountants' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 16, 2005

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Board  
New Boston Local School District  
P.O. Box 3711  
New Boston, Ohio 45662

### **Compliance**

We have audited the compliance of the New Boston Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

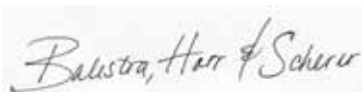
In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud 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 solely for the information and use of the audit committee, management, members of the Board, 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.



Balestra, Harr & Scherer  
February 16, 2005

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Federal Emergency Repair Program, CFDA #84.352A
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2004- 001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 States that the total appropriation from each fund shall not exceed the total estimated resources. Appropriations exceeded estimated resources in the Remove Barriers fund by \$298,286 at fiscal year end. The district should properly monitor appropriations throughout the year to ensure they do not exceed estimated revenue.

Corrective Action Plan:

Donna Grimm, Treasurer has indicated that she will monitor budgetary activity more closely in the future. The corrective action is anticipated to be completed before the close of the succeeding audit period.

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 §.505*  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2003-001	Appropriations were not properly filed with the County Auditor	Yes	
2003-002	Estimated receipts were not properly filed with the County Auditor	Yes	







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**