



**Auditor of State  
Betty Montgomery**



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Newton Local School District, Miami County, (the District) as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Newton Local School District, as of June 30, 2003 and 2002, and the results of its operations and the cash flows of its enterprise funds for the years 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 January 12, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Betty Montgomery**  
Auditor of State

January 12, 2004

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**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$256,071	\$42,280	\$56,227	\$2,387
Investments				
Receivables:				
Property Taxes	939,590		171,137	
Income Taxes	208,280			
Accounts		5,271		
Intergovernmental	4,575	16,807		
Interfund	4,378			
Notes				
Accrued Interest	757			
Prepaid Items	11,807			
Inventory of Supplies and Materials	3,770			
Inventory Held for Resale				
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	2,300			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
<b>Total Assets and Other Debits</b>	<u>1,431,528</u>	<u>64,358</u>	<u>227,364</u>	<u>2,387</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	2,533	603		
Accrued Wages and Benefits Payable	284,035			
Interfund Payable		4,378		
Intergovernmental Payable	69,568			
Due To Students				
Deferred Revenue	935,246	11,116	165,701	
Compensated Absences Payable	55,323			
Capital Leases Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>1,346,705</u>	<u>16,097</u>	<u>165,701</u>	
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	3,672	241		
Reserved for Notes Receivable				
Reserved for Inventory of Supplies and Materials	3,770			
Reserved for Property Taxes	29,073		5,436	
Reserved for Textbooks/Instructional Materials	2,300			
Unreserved	46,008	48,020	56,227	2,387
<b>Total Fund Equity and Other Credits</b>	<u>84,823</u>	<u>48,261</u>	<u>61,663</u>	<u>2,387</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$1,431,528</u>	<u>\$64,358</u>	<u>\$227,364</u>	<u>\$2,387</u>

See Accompanying Notes to the General Purpose Financial Statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,990	\$36,183 33,495			\$398,138 33,495
				1,110,727
				208,280
1,328				6,599
3,311				24,693
				4,378
	16,550			16,550
	514			1,271
				11,807
243				4,013
4,092				4,092
				2,300
13,159		\$5,134,399		5,147,558
			\$61,663	61,663
			2,057,373	2,057,373
<u>27,123</u>	<u>86,742</u>	<u>5,134,399</u>	<u>2,119,036</u>	<u>9,092,937</u>
4,979				3,136
				289,014
				4,378
10,668			40,971	121,207
	25,567			25,567
	514			1,112,577
6,020			271,938	333,281
			6,127	6,127
			1,800,000	1,800,000
<u>21,667</u>	<u>26,081</u>		<u>2,119,036</u>	<u>3,695,287</u>
		5,134,399		5,134,399
3,200				3,200
2,256				2,256
				3,913
	16,550			16,550
				3,770
				34,509
				2,300
	44,111			196,753
<u>5,456</u>	<u>60,661</u>	<u>5,134,399</u>		<u>5,397,650</u>
<u>\$27,123</u>	<u>\$86,742</u>	<u>\$5,134,399</u>	<u>\$2,119,036</u>	<u>\$9,092,937</u>

NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues</b>						
Property Taxes	\$876,400		\$129,480			\$1,005,880
Income Taxes	518,043					518,043
Tuition and Fees	188,527					188,527
Interest	10,161		953	\$17	\$554	11,685
Increase in Fair Value of Investments					641	641
Intergovernmental	2,304,605	\$169,849	17,438			2,491,892
Extracurricular Activities		78,661				78,661
Rent	26,442					26,442
Gifts and Donations		4,000				4,000
Miscellaneous	312	3,607				3,919
<b>Total Revenues</b>	<u>3,924,490</u>	<u>256,117</u>	<u>147,871</u>	<u>17</u>	<u>1,195</u>	<u>4,329,690</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	2,177,708	86,444		5,994		2,270,146
Special	342,559	73,546				416,105
Vocational	326					326
Support Services:						
Pupils	137,344	3,250				140,594
Instructional Staff	120,735	12,827		12,923		146,485
Board of Education	5,062					5,062
Administration	463,512	36,054				499,566
Fiscal	155,434	3,519	2,162			161,115
Business	502					502
Operation and Maintenance of Plant	271,797	324				272,121
Pupil Transportation	124,340					124,340
Central		1,190				1,190
Operation of Non-Instructional Services		3,000			829	3,829
Extracurricular Activities	95,317	44,641				139,958
Debt Service:						
Principal Retirement	2,694		80,000			82,694
Interest and Fiscal Charges	785		96,600			97,385
<b>Total Expenditures</b>	<u>3,898,115</u>	<u>264,795</u>	<u>178,762</u>	<u>18,917</u>	<u>829</u>	<u>4,361,418</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	26,375	(8,678)	(30,891)	(18,900)	366	(31,728)
<b>Other Financing Uses</b>						
Operating Transfers - Out	(1,000)					(1,000)
<b>Excess of Revenues Over (Under) Expenditures and Other Financing Uses</b>	25,375	(8,678)	(30,891)	(18,900)	366	(32,728)
Fund Balances at Beginning of Year	62,076	56,939	92,554	21,287	60,295	293,151
Decrease in Reserve for Inventory	(2,628)					(2,628)
<b>Fund Balances at End of Year</b>	<u>\$84,823</u>	<u>\$48,261</u>	<u>\$61,663</u>	<u>\$2,387</u>	<u>\$60,661</u>	<u>\$257,795</u>

See Accompanying Notes to the General Purpose Financial Statements.

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NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property Taxes	\$914,834	\$914,834				
Income Taxes	523,761	523,761				
Tuition and Fees	213,248	198,892	(\$14,356)			
Interest	9,466	10,642	1,176			
Intergovernmental	2,302,431	2,303,124	693	\$178,023	\$177,948	(\$75)
Extracurricular Activities				76,909	78,316	1,407
Rent	26,442	26,442				
Gifts and Donations				4,000	4,000	
Miscellaneous	602	765	163	554	638	84
<b>Total Revenues</b>	<b>3,990,784</b>	<b>3,978,460</b>	<b>(12,324)</b>	<b>259,486</b>	<b>260,902</b>	<b>1,416</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	2,186,475	2,130,792	55,683	89,530	86,470	3,060
Special	367,493	355,307	12,186	76,176	73,546	2,630
Vocational	8,421	8,432	(11)			
Support Services:						
Pupils	132,766	137,129	(4,363)	3,250	3,250	
Instructional Staff	141,568	127,858	13,710	12,078	11,578	500
Board of Education	7,058	5,062	1,996			
Administration	480,638	467,274	13,364	56,438	37,063	19,375
Fiscal	159,380	157,371	2,009	3,490	3,490	
Business	1,250	502	748			
Operation and Maintenance of Plant	297,360	279,663	17,697	546	299	247
Pupil Transportation	163,638	154,574	9,064			
Central				9,314	1,270	8,044
Operation of Non-Instructional Services				3,000	3,000	
Extracurricular Activities	104,083	98,790	5,293	50,955	44,641	6,314
Capital Outlay	137,114		137,114			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>4,187,244</b>	<b>3,922,754</b>	<b>264,490</b>	<b>304,777</b>	<b>264,607</b>	<b>40,170</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(196,460)</b>	<b>55,706</b>	<b>252,166</b>	<b>(45,291)</b>	<b>(3,705)</b>	<b>41,586</b>
<b>Other Financing Sources (Uses)</b>						
Refund of Prior Year Expenditures	32,196	32,196		43	43	
Refund of Prior Year Receipts						
Advances - In	14,120	14,120		4,378	4,378	
Advances - Out	(4,378)	(4,378)		(14,120)	(14,120)	
Operating Transfers - Out	(1,000)	(1,000)				
<b>Total Other Financing Sources (Uses)</b>	<b>40,938</b>	<b>40,938</b>		<b>(9,699)</b>	<b>(9,699)</b>	
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(155,522)</b>	<b>96,644</b>	<b>252,166</b>	<b>(54,990)</b>	<b>(13,404)</b>	<b>41,586</b>
Fund Balances at Beginning of Year	145,794	145,794		43,385	43,385	
Prior Year Encumbrances Appropriated	9,728	9,728		11,605	11,605	
<b>Fund Balances at End of Year</b>	<b>\$0</b>	<b>\$252,166</b>	<b>\$252,166</b>	<b>\$0</b>	<b>\$41,586</b>	<b>\$41,586</b>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$130,799	\$130,799							
886	953	\$67	\$15	\$17	\$2	\$876	\$554	(\$322)
17,438	17,438							
<u>149,123</u>	<u>149,190</u>	<u>67</u>	<u>15</u>	<u>17</u>	<u>2</u>	<u>876</u>	<u>554</u>	<u>(322)</u>
			5,994	5,994				
			14,122	12,923	1,199			
2,200	2,162	38						
			1,186		1,186			
						11,560	6,050	5,510
80,000	80,000							
152,722	96,600	56,122						
<u>234,922</u>	<u>178,762</u>	<u>56,160</u>	<u>21,302</u>	<u>18,917</u>	<u>2,385</u>	<u>11,560</u>	<u>6,050</u>	<u>5,510</u>
<u>(85,799)</u>	<u>(29,572)</u>	<u>56,227</u>	<u>(21,287)</u>	<u>(18,900)</u>	<u>2,387</u>	<u>(10,684)</u>	<u>(5,496)</u>	<u>5,188</u>
						250	250	(779)
							(779)	(779)
						<u>250</u>	<u>(529)</u>	<u>(779)</u>
(85,799)	(29,572)	56,227	(21,287)	(18,900)	2,387	(10,434)	(6,025)	4,409
85,799	85,799		21,287	21,287		50,136	50,136	
<u>\$0</u>	<u>\$56,227</u>	<u>\$56,227</u>	<u>\$0</u>	<u>\$2,387</u>	<u>\$2,387</u>	<u>\$39,702</u>	<u>\$44,111</u>	<u>\$4,409</u>

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGE  
IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Operating Revenues</b>	
Sales	\$118,564
Other Revenue	1,517
Total Operating Revenues	<u>120,081</u>
<b>Operating Expenses</b>	
Salaries	49,873
Fringe Benefits	17,678
Purchased Services	930
Supplies and Materials	157
Cost of Sales	84,940
Depreciation	1,621
Other	401
Total Operating Expenses	<u>155,600</u>
<b>Operating Loss</b>	<u>(35,519)</u>
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	9,160
Federal and State Subsidies	25,151
Interest Revenue	62
Total Non-Operating Revenues	<u>34,373</u>
<b>Loss Before Operating Transfers</b>	(1,146)
Operating Transfers - In	<u>1,000</u>
<b>Net Loss</b>	(146)
Retained Earnings at Beginning of Year	<u>2,402</u>
<b>Retained Earnings at End of Year</b>	<u><u>\$2,256</u></u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
BUDGET (NON-GAAP BASIS- AND ACTUAL - ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenue</b>			
Sales	\$118,259	\$118,440	\$181
Federal and State Subsidies	27,818	21,839	(5,979)
Interest	54	62	8
Other Revenue	2,529	756	(1,773)
Refund of Prior Year Expenses	762	762	
<b>Total Revenues</b>	<u>149,422</u>	<u>141,859</u>	<u>(7,563)</u>
<b>Expense</b>			
Salaries	49,363	49,795	(432)
Fringe Benefits	17,906	17,696	210
Purchased Services	996	930	66
Supplies and Materials	88,656	76,130	12,526
Other	583	401	182
Capital Outlay	885	884	1
<b>Total Expenses</b>	<u>158,389</u>	<u>145,836</u>	<u>12,553</u>
<b>Excess of Revenues Under Expenses</b>	(8,967)	(3,977)	4,990
Operating Transfers - In	<u>1,000</u>	<u>1,000</u>	
<b>Excess of Revenues and Operating Transfers Under Expenses</b>	(7,967)	(2,977)	4,990
Fund Equity at Beginning of Year	7,768	7,768	
Prior Year Encumbrances Appropriated	<u>199</u>	<u>199</u>	
<b>Fund Equity at End of Year</b>	<u><u>\$0</u></u>	<u><u>\$4,990</u></u>	<u><u>\$4,990</u></u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$118,440
Other Operating Receipts	1,518
Cash Payments for Employee Services and Benefits	(67,491)
Cash Payments to Suppliers for Goods and Services	(77,074)
Other Operating Expenses	(401)
Net Cash Used For Operating Activities	<u>(25,008)</u>

**Cash Flows from Noncapital Financing Activities:**

Federal and State Subsidies Received	21,839
Operating Transfers - In	1,000
Net Cash Provided By Noncapital Financing Activities	<u>22,839</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of Capital Assets	<u>(870)</u>
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**Cash Flows from Investing Activities:**

Interest	<u>62</u>
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Net Decrease in Cash and Cash Equivalents (2,977)

Cash and Cash Equivalents Beginning of Year 7,967

**Cash and Cash Equivalents End of Year** \$4,990

**Reconciliation of Operating Loss to Net**

**Cash Used For Operating Activities:**  
**Operating Loss** (\$35,519)

**Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:**

Depreciation	1,621
Donated Commodities Used	8,343
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	638
Increase in Inventory of Supplies and Materials	(26)
Increase in Inventory Held for Resale	(125)
Increase in Accrued Wages and Benefits Payable	334
Decrease in Intergovernmental Payable	(215)
Decrease in Compensated Absences Payable	(59)
Net Cash Used For Operating Activities	<u><u>(\$25,008)</u></u>

**Non-Cash Transactions:**

During fiscal year 2003, the Food Service Enterprise Fund received \$9,160 in donated commodities.

*See Accompanying Notes to the General Purpose Financial Statements.*



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Newton 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 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. It is staffed by 26 non-certificated employees, 44 certificated full-time teaching personnel and three administrative employees who provide services to 572 students and other community members. The School District currently operates one instructional-administrative building and one bus garage.

**A. 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 Newton Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in six organizations, three of which are defined as jointly governed organizations and three of which are defined as insurance purchasing pools. These organizations are the Metropolitan Dayton Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. These organizations are discussed in Note 18 to the general purpose financial statements.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types:**

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

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

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type:**

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

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

**3. Fiduciary Fund Types:**

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

**4. Account Groups:**

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

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise or trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or trust funds.

**B. Measurement Focus and Basis of Accounting**

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

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 governmental funds or expendable trust funds.

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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

All funds, other than the agency fund, are required to be budgeted and appropriated. The Preschool Grant Special Revenue Fund's grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund and function level for General Fund and fund level for all other funds. Any budgetary modifications at these levels of control may only be made by resolution of the Board of Education.

**1. Tax Budget:**

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

**2. Estimated Resources:**

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

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, several supplemental appropriations were legally enacted. The total supplemental appropriations were significant to the original appropriations. The following table gives a breakdown of appropriations by fund type:

<b>Fund Type</b>	<b>Final Appropriations</b>	<b>Original Appropriations</b>	<b>Difference</b>
General	\$4,192,622	\$3,834,439	\$358,183
Special Revenue	318,897	279,887	39,010
Debt Service	234,922	237,243	(2,321)
Capital Projects	21,302	21,311	(9)
Expendable Trust	11,560	26,243	(14,683)
Enterprise	158,389	164,136	(5,747)
<b>Total</b>	<b>\$4,937,692</b>	<b>\$4,563,259</b>	<b>\$374,433</b>

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

**4. Encumbrances:**

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

**5. Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

During fiscal year 2003, investments were limited to STAR Ohio, a repurchase agreement, and a certificate of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$10,161, which includes \$4,992 assigned from other School District funds.

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

**E. Interfund Assets/Liabilities**

Short-term loans are classified as "interfund receivables" and "interfund payables".

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Inventory**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Restricted Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund represent monies required by State statute to be set-aside for the purchase of textbooks and instructional materials. See Note 19 for additional information regarding set-asides.

**I. Fixed Assets and Depreciation**

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

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

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

**J. Compensated Absences**

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

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

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



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**L. Contributed Capital**

Prior to fiscal year 2001, contributed capital represented resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. Because the School District had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to fiscal year 1995, the exact amount of contributed capital pertaining to prior fiscal years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after fiscal year 2000 from other governments and private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital. There was no change in contributed capital during fiscal year 2003.

**M. Fund Balance Reserves**

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

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

**N. Interfund Transactions**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Estimates**

The preparation of the 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.

**P. Total Columns on General Purpose Financial Statements**

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

**3. ACCOUNTABILITY**

The Title II and Title VI-R Special Revenue Funds had deficit fund balances of \$3,610 and \$768, respectively. The fund deficits will be eliminated when the advance - in, shown as an interfund payable, is paid off. The General Fund regularly provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
4. Advances - in and advances - out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

5. The change in fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
6. For the enterprise funds, the acquisition and construction of capital assets is reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Expendable Trust</u>
GAAP Basis	\$25,375	(\$8,678)	(\$30,891)	(\$18,900)	\$366
Adjustments:					
Revenue Accruals	86,166	6,106	1,319	0	211
Expenditure Accruals	(21,139)	(396)	0	0	(6,000)
Outstanding Encumbrances	(6,205)	(694)	0	0	0
Increase in Fair Value of Investments FY03	0	0	0	0	(641)
Increase in Fair Value of Investments FY02	0	0	0	0	39
Advances	9,742	(9,742)	0	0	0
Prepaid Items	2,705	0	0	0	0
Budget Basis	<u>\$96,644</u>	<u>(\$13,404)</u>	<u>(\$29,572)</u>	<u>(\$18,900)</u>	<u>(\$6,025)</u>

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

GAAP Basis	(\$146)
Adjustments:	
Revenue Accruals	(3,435)
Expense Accruals	(1,116)
Inventory of Supplies and Materials	26
Inventory Held for Resale	943
Depreciation Expense	1,621
Acquisition of Capital Assets	(870)
Budget Basis	<u>(\$2,977)</u>

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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;

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

6. The State Treasurer's investment pool (STAR Ohio);
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
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.

**Cash on Hand:** At fiscal year-end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The 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 \$236,842 and the bank balance was \$260,418. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$160,418 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 are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

	<b>Category 3</b>	<b>Carrying and Fair Value</b>
STAR Ohio	\$0	\$194,811
Repurchase Agreement	1,980	1,980
Total	\$1,980	\$196,791

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

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

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$400,438	\$33,495
Cash on Hand	(300)	0
Investments of the Cash Management Pool:		
STAR Ohio	(194,811)	194,811
Repurchase Agreement	(1,980)	1,980
Certificate of Deposit	33,495	(33,495)
GASB Statement No. 3	\$236,842	\$196,791

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 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.

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2001. 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 Miami and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003, 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, 2003, was \$29,073 in the General Fund and \$5,436 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2002, was \$67,507 in the General Fund and \$6,755 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$47,615,030	95.54%	\$48,430,960	95.77%
Personal Property – Public Utility	1,508,380	3.03%	1,544,710	3.05%
Tangible Personal Property	715,160	1.43%	595,340	1.18%
<b>Total Assessed Value</b>	<b>\$49,838,570</b>	<b>100.00%</b>	<b>\$50,571,010</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$37.80		\$39.60	

The increase in the tax rate was for a 1.80 mill debt service increase. The original debt service levy was passed five years ago that allowed the School District to assess up to a maximum of 4.63 mills for the bond levy that constructed the new addition. In prior fiscal years, the School District made an operating transfer from the General Fund to the Bond Retirement Debt Service Fund to cover principal retirement and interest and fiscal charges since the existing 2.00 mills in the Bond Retirement Debt Service Fund was not enough to cover the expenditures. However, this fiscal year, due to cash flow problems in the General Fund, the School District was no longer able to make an operating transfer to the Bond Retirement Debt Service Fund. The County Auditor increased the millage by 1.80 mills so the School District would be able to meet the debt service payment requirements.

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$518,043 was credited to the General Fund during fiscal year 2003.

**8. RECEIVABLES**

Receivables at June 30, 2003, consisted of both property and income taxes, accounts (student fees), notes receivable (scholarship loan reimbursements), accrued interest, interfund, and intergovernmental (billings for user charged services, grants, and tuition). All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund:	
JV99 FY03 SF3 Adjustment	\$2,749
FY03 SF3 Refund	1,617
Local Science Grant	209
Total General Fund	4,575
Special Revenue Funds:	
Part B IDEA Grant	9,778
Title V	3,610
Title IV-A	2,265
Title VI-R	1,154
Total Special Revenue Funds	16,807
Enterprise Fund:	
National School Lunch Program	3,311
Total Intergovernmental Receivables	\$24,693

The School District has several notes receivable with students. These notes are for educational loans which are required to be repaid. At June 30, 2003, the total amount of notes receivable in the expendable trust funds was \$16,550.



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$30,661
Less Accumulated Depreciation	<u>(17,502)</u>
Net Fixed Assets	<u><u>\$13,159</u></u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/03</u>
Land and Improvements	\$203,373	\$0	\$0	\$203,373
Buildings and Improvements	3,609,780	0	0	3,609,780
Furniture, Fixtures and Equipment	906,666	52,640	1,097	958,209
Vehicles	363,037	0	0	363,037
Totals	<u>\$5,082,856</u>	<u>\$52,640</u>	<u>\$1,097</u>	<u>\$5,134,399</u>

There was no construction in progress as June 30, 2003.

**10. RISK MANAGEMENT**

**A. Property and Liability**

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 2003, the School District contracted with Nationwide Insurance for fleet insurance and with Indiana Insurance for crime, electronic data processing, equipment floater, and property insurance.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,911,702
Electronic Data Processing Coverage (\$500 deductible)	233,006
Equipment Floater Coverage (\$500 deductible)	318,110
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$200 deductible)	2,000,000

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate 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). The School District contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

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

Education General Liability:	
Each Occurrence	\$1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council 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 Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002, and 2001 were \$42,650, \$31,743, and \$20,521, respectively; 50 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**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.

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.

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$268,994, \$194,154, and \$197,766 respectively; 85 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$11 made by the School District and \$5,954 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System (SERS). As of June 30, 2003, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**12. POST-EMPLOYMENT 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 STRS Ohio benefit recipients and sponsored 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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year-ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$20,692 for fiscal year 2003.

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**12. POST-EMPLOYMENT BENEFITS (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$47,105.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 185 days for all personnel. Upon retirement, payment is made for 32.4 percent of accrued, but unused sick leave credit to a maximum of 60 days for all employees with ten or more years of current service with the School District.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to employees through Metropolitan Life. Medical/surgical benefits are provided through Anthem Blue Cross/Blue Shield and Life Investors Insurance Company of America. Anthem Blue Cross/Blue Shield benefits are provided through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 18).

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**14. CAPITAL LEASES - LESSEE DISCLOSURE**

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

General fixed assets consisting of band instruments that have been capitalized in the general fixed assets account group in the amount of \$11,295. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in fiscal year 2003 totaled \$2,694 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

<b>Fiscal Year Ending June 30,</b>	<b>Total</b>
2004	\$3,479
2005	3,479
Total	6,958
Less: Amount Representing Interest	(831)
Total	\$6,127

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<b>Amount Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/03</b>
School Improvement				
Bonds 1998 5.25%	\$1,880,000	\$0	\$80,000	\$1,800,000
Intergovernmental Payable	31,620	40,971	31,620	40,971
Compensated Absences Payable	324,862	0	52,924	271,938
Capital Leases Payable	8,821	0	2,694	6,127
Total General Long-Term Obligations	\$2,245,303	\$40,971	\$167,238	\$2,119,036

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

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

Intergovernmental payable represents contractually required pension contributions paid outside the available period. Intergovernmental payable and compensated absences payable will be paid from the fund from which the employees' salaries are paid. Capital leases payable will be paid from the General Fund.

The School District's overall legal debt margin was \$2,813,054 and the unvoted debt margin was \$50,571 at June 30, 2003.

Principal and interest requirements to retire general obligation debt at June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$85,000	\$92,269	\$177,269
2005	90,000	87,675	177,675
2006	95,000	82,819	177,819
2007	100,000	77,701	177,701
2008	110,000	72,188	182,188
2009 – 2013	650,000	265,388	915,388
2014 – 2017	670,000	72,452	742,452
Total	<u>\$1,800,000</u>	<u>\$750,492</u>	<u>\$2,550,492</u>

**16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newton Local School District as of and for the fiscal year-ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$95,384	\$24,697	\$120,081
Depreciation Expense	1,621	0	1,621
Operating Loss	(34,572)	(947)	(35,519)
Federal Donated Commodities	9,160	0	9,160
Federal and State Subsidies	25,151	0	25,151
Interest	62	0	62
Operating Transfers – In	0	1,000	1,000
Net Income (Loss)	(199)	53	(146)
Fixed Asset Addition	870	0	870
Net Working Capital (Deficit)	(3,011)	1,328	(1,683)
Total Assets	25,795	1,328	27,123
Long-Term Compensated Absences Payable	6,020	0	6,020
Total Equity	4,128	1,328	5,456

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**17. INTERFUND ACTIVITY**

The General Fund had an interfund receivable at June 30, 2003, of \$4,378. The Title II and Title VI-R Special Revenue Funds had interfund payables at June 30, 2003, of \$3,610 and \$768, respectively.

**18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Metropolitan Dayton Educational Cooperative Association** - The Newton Local School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. During fiscal year 2003, the School District paid \$11,247 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid \$3,697 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

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



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2003, the School District paid \$2,576 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

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

**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-Hyre 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-Hyre Insurance Agency, Inc is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**19. SET-ASIDE CALCULATIONS (Continued)**

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

	<b>Capital Improvements Reserve</b>	<b>Textbooks/ Instructional Materials Reserve</b>
Set-aside Reserve Balance as of June 30, 2002	\$0	(\$4,645)
Current Fiscal Year Set-aside Requirement	74,560	74,560
Offsets	(130,799)	0
Qualifying Disbursements	(63,459)	(67,615)
Total	<u>(\$119,698)</u>	<u>\$2,300</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$2,300</u>
Set-aside Reserve Balance as of June 30, 2003	<u><u>\$0</u></u>	<u><u>\$2,300</u></u>

The School District had offsets and qualified disbursements for capital acquisitions during the fiscal year that reduced the set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**20. 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.

**21. CONTINGENCIES**

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, 2003.

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**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNTS GROUPS  
JUNE 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$155,522	\$54,990	\$85,799	\$21,287
Investments				
<b>Receivables:</b>				
Property Taxes	913,105		137,487	
Income Taxes	201,701			
Accounts	2,361	2,000		
Intergovernmental	13,250	16,898		
Interfund	14,120			
Notes				
Accrued Interest	1,238			
Prepaid Items	9,102			
Inventory of Supplies and Materials	6,398			
Inventory Held for Resale				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
<b>Total Assets and Other Debits</b>	<u>1,316,797</u>	<u>73,888</u>	<u>223,286</u>	<u>21,287</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	10,068	998		
Accrued Wages and Benefits Payable	301,206			
Interfund Payable		14,120		
Intergovernmental Payable	81,066			
Due To Students				
Deferred Revenue	858,030	1,831	\$130,732	
Compensated Absences Payable	4,351			
Capital Leases Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>1,254,721</u>	<u>16,949</u>	<u>130,732</u>	
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances		10,608		
Reserved for Notes Receivable				
Reserved for Inventory of Supplies and Materials	6,398			
Reserved for Property Taxes	67,507		6,755	
Unreserved (Deficit)	(11,829)	46,331	85,799	21,287
<b>Total Fund Equity and Other Credits</b>	<u>62,076</u>	<u>56,939</u>	<u>92,554</u>	<u>21,287</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$1,316,797</u>	<u>\$73,888</u>	<u>\$223,286</u>	<u>\$21,287</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$7,967	\$37,737			\$363,302
	40,375			40,375
				1,050,592
				201,701
1,966				6,327
				30,148
				14,120
	10,800			10,800
	138			1,376
				9,102
217				6,615
3,149				3,149
13,910		\$5,082,856		5,096,766
			\$92,554	92,554
			2,152,749	2,152,749
<u>27,209</u>	<u>89,050</u>	<u>5,082,856</u>	<u>2,245,303</u>	<u>9,079,676</u>
				11,066
4,645				305,851
				14,120
10,883			31,620	123,569
	28,617			28,617
	138			990,731
6,079			324,862	335,292
			8,821	8,821
			1,880,000	1,880,000
<u>21,607</u>	<u>28,755</u>		<u>2,245,303</u>	<u>3,698,067</u>
		5,082,856		5,082,856
3,200				3,200
2,402				2,402
				10,608
	10,800			10,800
				6,398
				74,262
	49,495			191,083
<u>5,602</u>	<u>60,295</u>	<u>5,082,856</u>		<u>5,381,609</u>
<u>\$27,209</u>	<u>\$89,050</u>	<u>\$5,082,856</u>	<u>\$2,245,303</u>	<u>\$9,079,676</u>

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues</b>						
Property Taxes	\$919,404		\$88,518			\$1,007,922
Income Taxes	514,187					514,187
Tuition and Fees	27,116					27,116
Interest	18,133		3,184	\$112	\$1,993	23,422
Increase in Fair Value of Investments					39	39
Intergovernmental	2,287,030	\$217,676	11,495	18,364		2,534,565
Extracurricular Activities		81,697				81,697
Rent	32,576					32,576
Gifts and Donations		4,935				4,935
Miscellaneous	7,284	7,707				14,991
<b>Total Revenues</b>	<b>3,805,730</b>	<b>312,015</b>	<b>103,197</b>	<b>18,476</b>	<b>2,032</b>	<b>4,241,450</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	1,883,614	120,004		13,006		2,016,624
Special	349,741	83,370				433,111
Vocational	60,103	435				60,538
Support Services:						
Pupils	128,954			20,000		148,954
Instructional Staff	209,199	17,852		24,224		251,275
Board of Education	4,475					4,475
Administration	451,189	34,607				485,796
Fiscal	165,602	53	1,428			167,083
Business	857					857
Operation and Maintenance of Plant	274,941	638		14,966		290,545
Pupil Transportation	186,991					186,991
Central		1,387				1,387
Operation of Non-Instructional Services		4,000				4,000
Extracurricular Activities	97,382	55,823				153,205
Capital Outlay	11,295					11,295
Debt Service:						
Principal Retirement	2,474		75,000			77,474
Interest and Fiscal Charges	1,005		100,669			101,674
<b>Total Expenditures</b>	<b>3,827,822</b>	<b>318,169</b>	<b>177,097</b>	<b>72,196</b>		<b>4,395,284</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(22,092)</b>	<b>(6,154)</b>	<b>(73,900)</b>	<b>(53,720)</b>	<b>2,032</b>	<b>(153,834)</b>
<b>Other Financing Sources (Uses)</b>						
Inception of Capital Lease	11,295					11,295
Operating Transfers - In			30,000			30,000
Operating Transfers - Out	(30,671)					(30,671)
<b>Total Other Financing Sources (Uses)</b>	<b>(19,376)</b>		<b>30,000</b>			<b>10,624</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(41,468)</b>	<b>(6,154)</b>	<b>(43,900)</b>	<b>(53,720)</b>	<b>2,032</b>	<b>(143,210)</b>
Fund Balances at Beginning of Year	102,245	63,093	136,454	75,007	58,263	435,062
Increase in Reserve for Inventory	1,299					1,299
<b>Fund Balances at End of Year</b>	<b>\$62,076</b>	<b>\$56,939</b>	<b>\$92,554</b>	<b>\$21,287</b>	<b>\$60,295</b>	<b>\$293,151</b>

See Accompanying Notes to the General Purpose Financial Statements.

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NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property Taxes	\$885,250	\$882,558	(\$2,692)			
Income Taxes	532,787	532,787				
Tuition and Fees	16,751	16,751				
Interest	19,011	19,011				
Intergovernmental	2,284,145	2,284,145		\$203,122	\$203,014	(\$108)
Extracurricular Activities				72,973	81,978	9,005
Rent	32,576	32,576				
Gifts and Donations				5,465	2,935	(2,530)
Miscellaneous	2,837	2,837		500	7,707	7,207
<b>Total Revenues</b>	<u>3,773,357</u>	<u>3,770,665</u>	<u>(2,692)</u>	<u>282,060</u>	<u>295,634</u>	<u>13,574</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	1,893,266	1,893,266		130,103	130,103	
Special	371,420	371,420		83,607	83,607	
Vocational	60,231	60,231		435	435	
Support Services:						
Pupils	121,601	121,601				
Instructional Staff	214,151	214,151		16,337	16,337	
Board of Education	4,505	4,505				
Administration	459,130	459,130		35,324	35,324	
Fiscal	166,417	166,417				
Business	857	857				
Operation and Maintenance of Plant	276,909	276,909		638	638	
Pupil Transportation	190,945	190,945				
Central				1,387	1,387	
Operation of Non-Instructional Services				4,000	4,000	
Extracurricular Activities	103,406	103,406		55,949	55,949	
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<u>3,862,838</u>	<u>3,862,838</u>		<u>327,780</u>	<u>327,780</u>	
<b>Excess of Revenues Under Expenditures</b>	<u>(89,481)</u>	<u>(92,173)</u>	<u>(2,692)</u>	<u>(45,720)</u>	<u>(32,146)</u>	<u>13,574</u>
<b>Other Financing Sources (Uses)</b>						
Refund of Prior Year Expenditures	67,534	67,534		162	162	
Advances - In				14,120	14,120	
Advances - Out	(14,120)	(14,120)				
Operating Transfers - In						
Operating Transfers - Out	(30,671)	(30,671)				
<b>Total Other Financing Sources (Uses)</b>	<u>22,743</u>	<u>22,743</u>		<u>14,282</u>	<u>14,282</u>	
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(66,738)</u>	<u>(69,430)</u>	<u>(2,692)</u>	<u>(31,438)</u>	<u>(17,864)</u>	<u>13,574</u>
Fund Balances at Beginning of Year	195,960	195,960		57,063	57,063	
Prior Year Encumbrances Appropriated	19,264	19,264		4,186	4,186	
<b>Fund Balances at End of Year</b>	<u>\$148,486</u>	<u>\$145,794</u>	<u>(\$2,692)</u>	<u>\$29,811</u>	<u>\$43,385</u>	<u>\$13,574</u>

See Accompanying Notes to the General Purpose Financial Statements.



Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$137,554	\$84,832	(\$52,722)						
3,184	3,184		\$500	\$112	(\$388)	\$1,275	\$3,656	\$2,381
11,495	11,495		35,484	34,847	(637)			
<u>152,233</u>	<u>99,511</u>	<u>(52,722)</u>	<u>35,984</u>	<u>34,959</u>	<u>(1,025)</u>	<u>1,275</u>	<u>3,656</u>	<u>2,381</u>
			13,006	13,006				
			20,000	20,000				
			24,224	24,224				
1,428	1,428							
			14,966	14,966				
						4,000	4,000	
75,000	75,000							
100,669	100,669							
<u>177,097</u>	<u>177,097</u>		<u>72,196</u>	<u>72,196</u>		<u>4,000</u>	<u>4,000</u>	
<u>(24,864)</u>	<u>(77,586)</u>	<u>(52,722)</u>	<u>(36,212)</u>	<u>(37,237)</u>	<u>(1,025)</u>	<u>(2,725)</u>	<u>(344)</u>	<u>2,381</u>
30,000	30,000							
<u>30,000</u>	<u>30,000</u>							
5,136	(47,586)	(52,722)	(36,212)	(37,237)	(1,025)	(2,725)	(344)	2,381
133,385	133,385		48,360	48,360		50,480	50,480	
			10,164	10,164				
<u>\$138,521</u>	<u>\$85,799</u>	<u>(\$52,722)</u>	<u>\$22,312</u>	<u>\$21,287</u>	<u>(\$1,025)</u>	<u>\$47,755</u>	<u>\$50,136</u>	<u>\$2,381</u>

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGE IN RETAINED EARNINGS  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<b>Operating Revenues</b>	
Sales	\$127,014
Other Revenue	1,214
Total Operating Revenues	<u>128,228</u>
<b>Operating Expenses</b>	
Salaries	48,490
Fringe Benefits	16,859
Purchased Services	1,348
Supplies and Materials	42
Cost of Sales	85,505
Depreciation	1,534
Other	847
Total Operating Expenses	<u>154,625</u>
<b>Operating Loss</b>	<u>(26,397)</u>
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	8,462
Federal and State Subsidies	24,230
Interest	93
Total Non-Operating Revenues	<u>32,785</u>
<b>Gain Before Operating Transfers</b>	6,388
Operating Transfers - In	<u>671</u>
<b>Net Income</b>	7,059
Retained Earnings (Deficit) at Beginning of Year	<u>(4,657)</u>
<b>Retained Earnings at End of Year</b>	<u><u>\$2,402</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Sales	\$126,974	\$126,974	
Federal and State Subsidies	24,231	24,231	
Interest	93	93	
Other Revenue	7,280	1,417	(5,863)
<b>Total Revenues</b>	<u>158,578</u>	<u>152,715</u>	<u>(5,863)</u>
<b>Expenses</b>			
Salaries	47,819	47,819	
Fringe Benefits	18,179	18,179	
Purchased Services	1,348	1,348	
Supplies and Materials	79,623	79,623	
Other	1,179	1,179	
<b>Total Expenses</b>	<u>148,148</u>	<u>148,148</u>	
<b>Excess of Revenues Over Expenses</b>	10,430	4,567	(5,863)
Operating Transfers - In	671	671	
<b>Excess of Revenues and Operating Transfers over Expenses</b>	11,101	5,238	(5,863)
Fund Equity at Beginning of Year	2,530	2,530	
<b>Fund Equity at End of Year</b>	<u>\$13,631</u>	<u>\$7,768</u>	<u>(\$5,863)</u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$126,974
Cash Received from Other Operating Receipts	1,417
Cash Payments for Employee Services and Benefits	(65,998)
Cash Payments to Suppliers for Goods and Services	(80,899)
Other Operating Expenses	(1,051)
Net Cash Used For Operating Activities	<u>(19,557)</u>

**Cash Flows from Noncapital Financing Activities:**

Federal and State Subsidies Received	24,230
Operating Transfers - In	671
Net Cash Provided By Noncapital Financing Activities	<u>24,901</u>

**Cash Flows from Investing Activities:**

Interest	<u>93</u>
----------	-----------

Net Increase in Cash and Cash Equivalents 5,437

Cash and Cash Equivalents Beginning of Year 2,530

**Cash and Cash Equivalents End of Year** \$7,967

**Reconciliation of Operating Loss to Net**

**Cash Used For Operating Activities:**

Operating Loss (\$26,397)

**Adjustments to Reconcile Operating Loss to**

**Net Cash Used For Operating Activities:**

Depreciation	1,534
Donated Commodities Used	6,265
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(802)
Increase in Inventory of Supplies and Materials	(180)
Decrease in Inventory Held for Resale	671
Increase in Accrued Wages and Benefits Payable	73
Decrease in Intergovernmental Payable	(1,122)
Increase in Compensated Absences Payable	401
Net Cash Used For Operating Activities	<u><u>(\$19,557)</u></u>

Non-Cash Transactions:

During fiscal year 2002, the Food Service Enterprise Fund received \$8,462 in donated commodities.

*See Accompanying Notes to the General Purpose Financial Statements.*

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Newton 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 1923 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Miami County. It is staffed by 29 non-certificated employees, 46 certificated full-time teaching personnel and three administrative employees who provide services to 557 students and other community members. The School District currently operates one instructional-administrative building and one bus garage.

**A. 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 Newton Local School District, this includes general operations, food service, and student related activities of the School District.

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

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

The School District participates in six organizations, three of which are defined as jointly governed organizations and three of which are defined as insurance purchasing pools. These organizations are the Metropolitan Dayton Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. These organizations are discussed in Note 17 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types:**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**2. Proprietary Fund Type:**

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

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

**3. Fiduciary Fund Types:**

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

**4. Account Groups:**

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

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

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

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

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

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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



**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 governmental funds or expendable trust funds.

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

**C. Budgetary Process**

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

All funds, other than the agency fund, are required to be budgeted and appropriated. Portions of the Title III and Preschool Grant Special Revenue Funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund and function level for General Fund and the fund level for all other funds. Any budgetary modifications at these levels of control may only be made by resolution of the Board of Education.

**1. Tax Budget:**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources:**

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

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however they were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than a portion of the Title III and Preschool Grant Special Revenue Funds and the agency fund, consistent with statutory provisions. Prior to fiscal year-end, the Board of Education approved amended appropriations which matched appropriations to expenditures plus encumbrances at fiscal year-end.

**4. Encumbrances:**

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

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2002, investments were limited to STAR Ohio, a repurchase agreement, certificates of deposit, and Dayton Power and Light stock. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

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

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 2002 amounted to \$18,133 which includes \$9,183 assigned from other School District funds.

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

**E. Interfund Assets/Liabilities**

Short-term loans are classified as "interfund receivables" and "interfund payables".

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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/expense is reported in the year in which services are consumed.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

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

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

**I. Compensated Absences**

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

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the funds from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

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

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

**K. Contributed Capital**

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year-end.

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

Capital contributions from other governments and private sources received after fiscal year 2000 are recorded as revenue and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital. There was no change in contributed capital during fiscal year 2002.

**L. Fund Balance Reserves**

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

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Interfund Transactions**

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

**N. Estimates**

The preparation of the 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.

**O. Total Columns on General Purpose Financial Statements**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. Advances – in and advances – out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. 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 tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

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

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP Basis	(\$41,468)	(\$ 6,154)	(\$43,900)	(\$53,720)	\$2,032
Revenue Accruals	21,174	(14,919)	(3,686)	16,483	(680)
Expenditure Accruals	(27,493)	326	0	0	(4,000)
Prepaid Items	2,205	0	0	0	0
Decrease in Fair Value of Investments	0	0	0	0	641
Unrecorded Cash	0	0	0	0	1,663
Advances	(14,120)	14,120	0	0	0
Non-Budgeted Activity	0	368	0	0	0
Outstanding Encumbrances	(9,728)	(11,605)	0	0	0
Budget Basis	<u>(\$69,430)</u>	<u>(\$17,864)</u>	<u>(\$47,586)</u>	<u>(\$37,237)</u>	<u>(\$344)</u>

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

GAAP Basis	\$7,059
Revenue Accruals	2,361
Expense Accruals	(2,829)
Inventory of Supplies and Materials	180
Inventory Held for Resale	(671)
Depreciation Expense	1,534
Federal Donated Commodities	(2,197)
Outstanding Encumbrances	(199)
Budget Basis	<u>\$5,238</u>

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**4. 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.

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 security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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. The State Treasurer's investment pool (STAR Ohio);



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

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
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.

**Cash on Hand:** At fiscal year-end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The 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 \$101,141 and the bank balance was \$198,797. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$98,797 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 are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
STAR Ohio	\$0	\$0	\$150,110
Repurchase Agreement	0	150,766	150,766
DP&L Stock	1,360	0	1,360
Total	<u>\$1,360</u>	<u>\$150,766</u>	<u>\$302,236</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$363,302	\$ 40,375
Cash on Hand	(300)	0
Investments of the Cash Management Pool:		
STAR Ohio	(150,110)	150,110
Repurchase Agreement	(150,766)	150,766
Certificates of Deposits	39,015	(39,015)
GASB Statement No. 3	<u>\$101,141</u>	<u>\$302,236</u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**5. PROPERTY TAXES (Continued)**

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2000. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$43,012,870	95.05%	\$47,615,030	95.54%
Personal Property – Public Utility	1,744,670	3.86%	1,508,380	3.03%
Tangible Personal Property	494,300	1.09%	715,160	1.43%
Total Assessed Value	<u>\$45,251,840</u>	<u>100.00%</u>	<u>\$49,838,570</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.80		\$37.80	

The School District receives property taxes from Miami and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claims. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$67,507 in the General Fund and \$6,755 in the Bond Retirement Debt Service Fund.

**6. INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$514,187 was credited to the General Fund during fiscal year 2002.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (student fees), notes receivable (scholarship loan reimbursements), accrued interest, interfund, and intergovernmental (billings for user charged services, grants, and tuition). All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
General Fund:	
JV04/FY02/SF3 Adjustment	\$2,189
August ECOT Settlement	696
Tuition	10,365
Total General Fund	13,250
Special Revenue Funds:	
REA Grant	14,120
Drug Free	1,831
Title I	947
Total Special Revenue Funds	16,898
Total Intergovernmental Receivables	\$30,148

The School District has several notes receivable with students. These notes are for educational loans which are required to be repaid. At June 30, 2002, the total amount of notes receivable in the expendable trust funds was \$10,800.

**8. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$29,791
Less Accumulated Depreciation	(15,881)
Net Fixed Assets	\$13,910

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<b>Asset Category</b>	<b>Balance at 6/30/01</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/02</b>
Land and Improvements	\$203,373	\$0	\$0	\$203,373
Buildings and Improvements	3,614,018	0	4,238	3,609,780
Furniture, Fixtures and Equipment	945,358	77,017	115,709	906,666
Vehicles	363,037	0	0	363,037
Totals	\$5,125,786	\$77,017	\$119,947	\$5,082,856

There was no construction in progress at June 30, 2002.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**9. RISK MANAGEMENT**

**A. Property and Liability**

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 2002, the School District contracted with Nationwide Insurance for fleet insurance and with Indiana Insurance for inland marine, crime, and property insurance.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$13,911,702
Inland Marine Coverage (\$100 deductible)	551,116
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$200 deductible)	2,000,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate 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 17).

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

Education General Liability:	
Each Occurrence	\$1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer’s Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – Each Employee	1,000,000
Educational Legal Liability:	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

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

**NEWTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$31,743, \$20,521, and \$25,124, respectively; 48 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$16,623 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year-ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$194,154, \$197,766, and \$112,743, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$32,599 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System (STRS)/State Teachers Retirement System (SERS). As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**11. POST-EMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year-ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$91,968 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year-ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$58,737.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.



**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**12. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 185 days for all personnel. Upon retirement, payment is made for 32.4 percent of accrued, but unused sick leave credit to a maximum of 60 days for all employees with ten or more years of current service with the School District.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to employees through Metropolitan Life. Medical/surgical benefits are provided through Anthem Blue Cross/Blue Shield and Life Investors Insurance Company of America. Anthem Blue Cross/Blue Shield benefits are provided through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 18).

**13. CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2002, the School District entered into capitalized leases for band instruments. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new capital lease is reflected in the accounts, "capital outlay" and "inception of capital lease" in the fund making the lease payment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements in the general fund. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of band instruments that have been capitalized in the general fixed assets account group in the amount of \$11,295. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$2,474 in the General Fund.

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

<b>Fiscal Year Ending June 30,</b>	<b>Total</b>
2003	\$3,479
2004	3,479
2005	3,479
Total	10,437
Less: Amount Representing Interest	(1,616)
Total	\$8,821

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<b>Amount Outstanding 6/30/01</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/02</b>
School Improvement				
Bonds 1998 5.25%	\$1,955,000	\$0	\$75,000	\$1,880,000
Intergovernmental Payable	35,671	31,620	35,671	31,620
Compensated Absences Payable	292,112	32,750	0	324,862
Capital Leases Payable	0	11,295	2,474	8,821
<b>Total General Long-Term Obligations</b>	<b>\$2,282,783</b>	<b>\$75,665</b>	<b>\$113,145</b>	<b>\$2,245,303</b>

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

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

The School District's overall legal debt margin was \$2,698,025 and the unvoted debt margin was \$49,839 at June 30, 2002.

Principal and interest requirements to retire general obligation debt at June 30, 2002, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$80,000	\$96,600	\$176,600
2004	85,000	92,269	177,269
2005	90,000	87,675	177,675
2006	95,000	82,819	177,819
2007	100,000	77,701	177,701
2008 – 2012	615,000	298,594	913,594
2013 – 2017	815,000	111,434	926,434
<b>Total</b>	<b>\$1,880,000</b>	<b>\$847,092</b>	<b>\$2,727,092</b>

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newton Local School District as of and for the fiscal year-ended June 30, 2002.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$102,511	\$25,717	\$128,228
Depreciation Expense	1,534	0	1,534
Operating Loss	(25,836)	(561)	(26,397)
Federal Donated Commodities	\$8,462	\$0	\$8,462
Federal and State Subsidies	24,230	0	24,230
Interest	93	0	93
Operating Transfers – In	0	671	671
Net Income	6,949	110	7,059
Net Working Capital (Deficit)	(3,503)	1,274	(2,229)
Total Assets	25,935	1,274	27,209
Long-Term Compensated Absences Payable	6,079	0	6,079
Total Equity	4,328	1,274	5,602
Encumbrances Outstanding at June 30, 2002	128	70	198

**16. INTERFUND ACTIVITY**

The General Fund had an interfund receivable at June 30, 2002, of \$14,120. The Reading Excellence Special Revenue Fund had an interfund payable at June 30, 2002, of \$14,120.

**17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. During fiscal year 2002, the School District paid \$17,049 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2002, the School District paid \$2,338 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2002, the School District paid \$1,187 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**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-Hyre 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-Hyre Insurance Agency, Inc is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**18. 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

For the fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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

**18. SET-ASIDE CALCULATIONS (Continued)**

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 2001	\$12,507	\$0	(\$33,789)
Current Fiscal Year Set-aside Requirement	0	71,244	71,244
Offsets	0	(84,832)	0
Qualifying Disbursements	(12,507)	(45,289)	(42,100)
<b>Total</b>	<u>\$0</u>	<u>(\$58,877)</u>	<u>(\$4,645)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>(\$4,645)</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>(\$4,645)</u>

The School District had offsets and qualified disbursements for capital acquisitions during the fiscal year that reduced the set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The School District had qualifying disbursements for textbooks/instructional materials during the fiscal year that reduced the set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years.

**19. 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.

**20. CONTINGENCIES**

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, 2002.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Newton Local School District, Miami County, (the "District") as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated January 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 12, 2004.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-001.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 12, 2004.

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



**Betty Montgomery**  
Auditor of State

January 12, 2004



NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

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

FINDING NUMBER 2003-001

REPORTABLE CONDITION:

**Student Managed Activity Monitoring Controls**

The student managed activity advisors are required to complete a Purpose Statement and Budget Form annually and a Sales Project Potential Form for each fundraiser. The top portion of the Sales Project Potential Form identifies the project, quantity ordered, and the proposed sale price of the item. This must be completed prior to the start of the fundraiser. The bottom portion of the form shows actual prices charged, identifies how the purchased inventory is accounted for, and the total amount deposited with the Treasurer. The bottom portion of the Sales Project Potential Form must be completed after the fundraiser is completed.

These forms were not properly utilized during the period as follows:

- In FY03, there were sixteen student-managed activities. Three (18.75%) of the activities did not have the Purpose Statement and Budget forms signed by the superintendent, one (6.25%) of the activities did not have the form signed by the principal, and two (12.50%) of the activities did not complete Purpose Statement and Budget Forms at all.
- There were forty fundraising events in Fiscal Year 2003. Twenty five (62.5%) of the fundraisers did not have the top portion of the sales project potential forms completed before the fundraiser, and thirty nine (97.5%) of the fundraisers did not have the bottom of the sales project potential form completed after the fundraiser.
- In FY02, there were 16 student-managed activities. Twelve (75%) of the activities did not complete Purpose Statement and Budget Forms.
- There were 38 scheduled fundraisers in Fiscal Year 2002. Thirteen (34.21%) of the fundraisers did not have the top portion of the sales project potential forms completed before the fundraiser. Thirty two (84%) of the fundraisers did not have the bottom of the sales project potential form completed after the fundraiser.

Purpose Statement and Budget Forms should be completed to explain how the money will be raised and for what activities it will be used. The principal and superintendent should review and approve the statements as an additional monitoring control. The advisors should also complete the sales project potential forms for each project/fundraiser to provide additional assurance that all revenue was collected and posted to the proper account.

We also recommend the District refer to the Auditor of State's *Guidelines for Developing Policies for Student Activities* (revised April, 2002), available at [www.auditor.state.oh.us](http://www.auditor.state.oh.us) / Publications / Manuals & Handbooks.

**NEWTON LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2001-001	Ohio Rev. Code Section 5705.41(B)	No	Partially corrected. Management letter comment will be issued.
2002-002	Property Plant & Equipment	No	Partially corrected. Management letter comment will be issued.



**Auditor of State  
Betty Montgomery**

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**NEWTON LOCAL SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2004**