



**Auditor of State
Betty Montgomery**

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

New Knoxville Local School District
Auglaize County
345 South Main Street
New Knoxville, Ohio 45871-0476

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Knoxville Local School District, Auglaize County, (the District) as of and for the year ended June 30, 2001, 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 with 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 the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4, to the general-purpose financial statements, the District increased its fixed asset capitalization threshold amount during fiscal year 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2003, 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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 28, 2003

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

| | <u>Governmental Fund Types</u> | | | |
|---------------------------------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| Assets and Other Debits: | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,182,733 | \$65,791 | \$311,740 | \$85,368 |
| Investments | | | | |
| Cash and Cash Equivalents with Fiscal Agent | | 932 | | |
| Receivables: | | | | |
| Property Taxes | 1,031,161 | | 142,845 | 35,465 |
| Income Tax | | | | |
| Accounts | 3,438 | 123 | | |
| Intergovernmental | 5,501 | | | 31,500 |
| Accrued Interest | | | | |
| Inventory Held for Resale | | | | |
| Materials and Supplies | | | | |
| Inventory | 5,706 | | | |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 121,627 | | | |
| Fixed Assets (Net where applicable, of accumulated depreciation) | | | | |
| Other Debits: | | | | |
| Amount Available in Debt Service | | | | |
| Fund for Retirement of General Obligation Bonds | | | | |
| Amount to be Provided from General Governmental Resources | | | | |
| Total Assets and Other Debits | <u>2,350,166</u> | <u>66,846</u> | <u>454,585</u> | <u>152,333</u> |
| Liabilities, Fund Equity and Other Credits: | | | | |
| Liabilities: | | | | |
| Accounts Payable | 57,100 | 2,166 | | |
| Accrued Wages and Benefits | 246,155 | 2,523 | | |
| Compensated Absences Payable | 4,499 | | | |
| Intergovernmental Payable | 48,376 | | | |
| Deferred Revenue | 949,692 | | 133,494 | 53,724 |
| Due to Students | | | | |
| General Obligation Bonds Payable | | | | |
| Total Liabilities | <u>1,305,822</u> | <u>4,689</u> | <u>133,494</u> | <u>53,724</u> |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | | | | |
| Retained Earnings: | | | | |
| Unreserved | | | | |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 101,007 | 8,601 | | 3,721 |
| Reserved for Inventory | 5,706 | | | |
| Reserved for Endowment | | | | |
| Reserved for Property Taxes | 81,469 | | 9,351 | 3,084 |
| Reserved for Textbooks | 9,621 | | | |
| Reserved for Capital Improvements | 65,703 | | | |
| Reserved for Budget Stabilization | 13,663 | | | |
| Reserved for Bus Purchase | 32,640 | | | |
| Designated for Capital Improvements | 53,167 | | | |
| Unreserved (Deficit) | 681,368 | 53,556 | 311,740 | 91,804 |
| Total Fund Equity and Other Credits | <u>1,044,344</u> | <u>62,157</u> | <u>321,091</u> | <u>98,609</u> |
| Total Liabilities, Fund Equity and Other Credits | <u>\$2,350,166</u> | <u>\$66,846</u> | <u>\$454,585</u> | <u>\$152,333</u> |

See accompanying notes to the general purpose financial statements.

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|-------------------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$53,082 | \$9,616 10,600 | | | \$1,708,330 10,600 932 1,209,471 |
| 533 | 95 | | | 4,189 |
| 1,242 | | | | 38,243 |
| | 10 | | | 10 |
| 4,680 | | | | 4,680 |
| 39 | | | | 5,745 |
| | | | | 121,627 |
| 10,087 | | \$4,799,067 | | 4,809,154 |
| | | | \$321,091 | 321,091 |
| | | | 1,762,881 | 1,762,881 |
| <u>69,663</u> | <u>20,321</u> | <u>4,799,067</u> | <u>2,083,972</u> | <u>9,996,953</u> |
| 3,967 | 750 | | | 63,983 |
| 6,810 | | | | 255,488 |
| 1,890 | | | 81,868 | 88,257 |
| 5,351 | | | 21,205 | 74,932 |
| | | | | 1,136,910 |
| | 8,969 | | | 8,969 |
| | | | 1,980,899 | 1,980,899 |
| <u>18,018</u> | <u>9,719</u> | | <u>2,083,972</u> | <u>3,609,438</u> |
| | | 4,799,067 | | 4,799,067 |
| 51,645 | | | | 51,645 |
| | | | | 113,329 |
| | | | | 5,706 |
| | 10,000 | | | 10,000 |
| | | | | 93,904 |
| | | | | 9,621 |
| | | | | 65,703 |
| | | | | 13,663 |
| | | | | 32,640 |
| | | | | 53,167 |
| | 602 | | | 1,139,070 |
| <u>51,645</u> | <u>10,602</u> | <u>4,799,067</u> | | <u>6,387,515</u> |
| <u>\$69,663</u> | <u>\$20,321</u> | <u>\$4,799,067</u> | <u>\$2,083,972</u> | <u>\$9,996,953</u> |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|-----------------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Revenues: | | | | | |
| Property Taxes | \$1,009,634 | | \$140,166 | \$35,064 | \$1,184,864 |
| Intergovernmental | 1,602,572 | \$51,297 | 17,604 | 60,322 | 1,731,795 |
| Investment Income | 112,637 | | | 1,677 | 114,314 |
| Tuition and Fees | 14,090 | | | | 14,090 |
| Extracurricular Activities | 6,203 | 84,862 | | | 91,065 |
| Gifts and Donations | 310 | 7,912 | | | 8,222 |
| Miscellaneous | 19,714 | 140 | | 45 | 19,899 |
| Total Revenues | 2,765,160 | 144,211 | 157,770 | 97,108 | 3,164,249 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 1,480,919 | 8,613 | | 24,839 | 1,514,371 |
| Special | 96,747 | 30,364 | | | 127,111 |
| Vocational | 4,309 | | | | 4,309 |
| Support Services: | | | | | |
| Pupils | 103,280 | 4,387 | | | 107,667 |
| Instructional Staff | 159,678 | 74,546 | | 561 | 234,785 |
| Board of Education | 20,808 | | | | 20,808 |
| Administration | 364,330 | 127 | | | 364,457 |
| Fiscal | 105,623 | | 2,570 | 611 | 108,804 |
| Operation and Maintenance of Plant | 249,760 | | | 15,934 | 265,694 |
| Pupil Transportation | 98,277 | | | | 98,277 |
| Central | 28,647 | 6,000 | | 8,479 | 43,126 |
| Extracurricular Activities | 79,631 | 108,117 | | | 187,748 |
| Capital Outlay | 59,993 | | 1,675 | | 61,668 |
| Intergovernmental | | 5,819 | | | 5,819 |
| Debt Service: | | | | | |
| Principal Retirement | | | 20,000 | | 20,000 |
| Interest and Fiscal Charges | | | 96,474 | | 96,474 |
| Total Expenditures | 2,852,002 | 237,973 | 120,719 | 50,424 | 3,261,118 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | (86,842) | (93,762) | 37,051 | 46,684 | (96,869) |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from Sale of Fixed Assets | 528 | | | | 528 |
| Operating Transfers In | | 44 | | | 44 |
| Operating Transfers Out | (44) | | | | (44) |
| Total Other Financing Sources (Uses) | 484 | 44 | | | 528 |
| Excess of Revenues and Other | | | | | |
| Financing Sources Over (Under) | | | | | |
| Expenditures and Other Uses | (86,358) | (93,718) | 37,051 | 46,684 | (96,341) |
| Fund Balances at Beginning of Year | 1,130,287 | 155,875 | 155,789 | 180,176 | 1,622,127 |
| Residual Equity Transfer In | | | 128,251 | | 128,251 |
| Residual Equity Transfer Out | | | | (128,251) | (128,251) |
| Increase in Inventory | 415 | | | | 415 |
| Fund Balances at End of Year | \$1,044,344 | \$62,157 | \$321,091 | \$98,609 | \$1,526,201 |

See accompanying notes to the general purpose financial statements.

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

| | General Fund | | | Special Revenue Funds | | |
|---------------------------------------------------------------------------------------------------------|-------------------|--------------------|----------------------------------------|-----------------------|------------------|----------------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Property Taxes | \$1,057,765 | \$1,020,972 | (\$36,793) | | | |
| Intergovernmental | 1,581,798 | 1,611,721 | 29,923 | \$47,611 | \$47,611 | |
| Investment Income | 100,000 | 112,637 | 12,637 | | | |
| Tuition and Fees | 6,390 | 12,421 | 6,031 | | | |
| Extracurricular Activities | 4,000 | 6,203 | 2,203 | 77,715 | 84,862 | \$7,147 |
| Gifts and Donations | 110 | 310 | 200 | 500 | 7,912 | 7,412 |
| Miscellaneous | 1,100 | 12,914 | 11,814 | | 17 | 17 |
| Total Revenues | 2,751,163 | 2,777,178 | 26,015 | 125,826 | 140,402 | 14,576 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 1,698,236 | 1,502,094 | 196,142 | 12,281 | 9,177 | 3,104 |
| Special | 107,889 | 98,395 | 9,494 | 26,109 | 25,108 | 1,001 |
| Vocational | 6,500 | 4,309 | 2,191 | | | |
| Support Services: | | | | | | |
| Pupils | 186,948 | 178,570 | 8,378 | 4,500 | 4,387 | 113 |
| Instructional Staff | 179,643 | 159,945 | 19,698 | 76,032 | 75,010 | 1,022 |
| Board of Education | 29,495 | 26,614 | 2,881 | | | |
| Administration | 420,011 | 371,641 | 48,370 | 3,500 | 127 | 3,373 |
| Fiscal | 130,063 | 108,708 | 21,355 | | | |
| Operation and Maintenance of Plant | 308,183 | 264,794 | 43,389 | | | |
| Pupil Transportation | 155,003 | 105,721 | 49,282 | | | |
| Central | 54,550 | 26,918 | 27,632 | 6,000 | 6,000 | |
| Extracurricular Activities | 100,100 | 81,760 | 18,340 | 121,540 | 116,852 | 4,688 |
| Capital Outlay | 234,275 | 59,993 | 174,282 | | | |
| Intergovernmental | | | | 6,751 | 6,751 | |
| Debt Service: | | | | | | |
| Debt Service - Principal | | | | | | |
| Debt Service - Interest | | | | | | |
| Total Expenditures | 3,610,896 | 2,989,462 | 621,434 | 256,713 | 243,412 | 13,301 |
| Excess of Revenues Over (Under) Expenditures | (859,733) | (212,284) | 647,449 | (130,887) | (103,010) | 27,877 |
| Other Financing Sources and Uses | | | | | | |
| Operating Transfers In | 20,000 | 20,000 | | | 44 | 44 |
| Proceeds from the Sale of Fixed Assets | 500 | 528 | 28 | | | |
| Refund of Prior Year Expenditures | 1,000 | 1,053 | 53 | | | |
| Operating Transfers Out | (50) | (44) | 6 | | | |
| Other Financing Uses | | | | (209) | (209) | |
| Total Other Financing Sources (Uses) | 21,450 | 21,537 | 87 | (209) | (165) | 44 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (838,283) | (190,747) | 647,536 | (131,096) | (103,175) | 27,921 |
| Fund Balances at Beginning of Year | 1,268,231 | 1,268,231 | | 111,904 | 111,904 | |
| Prior Year Encumbrances Appropriated | 71,256 | 71,256 | | 46,808 | 46,808 | |
| Fund Balances at End of Year | \$501,204 | \$1,148,740 | \$647,536 | \$27,616 | \$55,537 | \$27,921 |

See accompanying notes to the general purpose financial statements.

| Debt Service Fund | | | Capital Projects Funds | | |
|-------------------|------------------|----------------------------------|------------------------|------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$140,824 | \$141,740 | \$916 | \$36,868 | \$35,086 | (\$1,782) |
| 16,395 | 17,604 | 1,209 | 49,821 | 50,166 | 345 |
| | | | 13,736 | 14,086 | 350 |
| | | | | 45 | 45 |
| <u>157,219</u> | <u>159,344</u> | <u>2,125</u> | <u>100,425</u> | <u>99,383</u> | <u>(1,042)</u> |
| | | | 50,834 | 25,039 | 25,795 |
| | | | 7,882 | 561 | 7,321 |
| 2,675 | 2,570 | 105 | 1,500 | 611 | 889 |
| | | | 49,981 | 17,494 | 32,487 |
| | | | 12,000 | 12,000 | |
| 1,675 | 1,675 | | 201,988 | 74,086 | 127,902 |
| 20,000 | 20,000 | | | | |
| 113,800 | 96,474 | 17,326 | | | |
| <u>138,150</u> | <u>120,719</u> | <u>17,431</u> | <u>324,185</u> | <u>129,791</u> | <u>194,394</u> |
| 19,069 | 38,625 | 19,556 | (223,760) | (30,408) | 193,352 |
| 128,251 | 128,251 | | | | |
| | (10,000) | (10,000) | | (138,251) | (138,251) |
| <u>128,251</u> | <u>118,251</u> | <u>(10,000)</u> | | <u>(138,251)</u> | <u>(138,251)</u> |
| 147,320 | 156,876 | 9,556 | (223,760) | (168,659) | 55,101 |
| 154,414 | 154,414 | | 76,595 | 76,595 | |
| 450 | 450 | | 173,711 | 173,711 | |
| <u>\$302,184</u> | <u>\$311,740</u> | <u>\$9,556</u> | <u>\$26,546</u> | <u>\$81,647</u> | <u>\$55,101</u> |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---------------------------------------------------|----------------------------------|--------------------------------|-----------------------------------------|
| | <u>Enterprise</u> | <u>Nonexpendable Trust</u> | |
| Operating Revenues: | | | |
| Sales | \$118,595 | | \$118,595 |
| Investment Income | | \$736 | 736 |
| Donations | | 829 | 829 |
| Total Operating Revenues | <u>118,595</u> | <u>1,565</u> | <u>120,160</u> |
| Operating Expenses: | | | |
| Salaries | 30,817 | | 30,817 |
| Fringe Benefits | 16,668 | | 16,668 |
| Purchased Services | 1,231 | | 1,231 |
| Materials and Supplies | 2,481 | | 2,481 |
| Cost of Sales | 83,340 | | 83,340 |
| Depreciation | 700 | | 700 |
| Other | 616 | 750 | 1,366 |
| Total Operating Expenses | <u>135,853</u> | <u>750</u> | <u>136,603</u> |
| Operating Income (Loss) | <u>(17,258)</u> | <u>815</u> | <u>(16,443)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Federal Donated Commodities | 10,618 | | 10,618 |
| Operating Grants | 12,108 | | 12,108 |
| Total Non-Operating Revenues (Expenses) | <u>22,726</u> | | <u>22,726</u> |
| Net Income (Loss) | 5,468 | 815 | 6,283 |
| Retained Earnings at Beginning of Year - Restated | 46,177 | 9,787 | 55,964 |
| Retained Earnings at End of Year | <u><u>\$51,645</u></u> | <u><u>\$10,602</u></u> | <u><u>\$62,247</u></u> |

See accompanying notes to the general purpose financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVNEUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Enterprise Funds | | | Nonexpendable Trust Funds | | |
|-----------------------------------------|-------------------|-----------|----------------------------------------|---------------------------|----------|----------------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Operating Revenues: | | | | | | |
| Sales | \$118,675 | \$118,062 | (\$613) | | | |
| Investment Income | | | | | \$742 | \$742 |
| Federal and State Subsidies | 11,325 | 12,340 | 1,015 | \$829 | 829 | |
| Total Operating Revenues | 130,000 | 130,402 | 402 | 829 | 1,571 | 742 |
| Operating Expenses: | | | | | | |
| Salaries | 38,775 | 33,193 | 5,582 | | | |
| Fringe Benefits | 14,225 | 14,180 | 45 | | | |
| Purchased Services | 1,890 | 1,249 | 641 | | | |
| Materials and Supplies | 103,409 | 79,384 | 24,025 | | | |
| Other | 750 | 616 | 134 | 1,500 | 1,500 | |
| Capital Outlay | 500 | 495 | 5 | | | |
| Total Operating Expenses | 159,549 | 129,117 | 30,432 | 1,500 | 1,500 | |
| Excess of Revenue Over (Under) Expenses | (29,549) | 1,285 | 30,834 | (671) | 71 | 742 |
| Fund Equity at Beginning of Year | 30,578 | 30,578 | | 9,771 | 9,771 | |
| Prior Year Encumbrances Appropriated | 14,549 | 14,549 | | 750 | 750 | |
| Fund Equity at End of Year | \$15,578 | \$46,412 | \$30,834 | \$9,850 | \$10,592 | \$742 |

See accompanying notes to the general purpose financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|---------------------------------------------------------------------------------------------|----------------------------------|--------------------------------|-----------------------------------------|
| | <u>Enterprise</u> | <u>Nonexpendable Trust</u> | |
| Increase (Decrease) in Cash and Cash Equivalents: | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$118,062 | | \$118,062 |
| Cash Payments to Suppliers for Goods and Services | (74,458) | | (74,458) |
| Cash Payments to Employees for Services | (33,193) | | (33,193) |
| Cash Payments for Employee Benefits | (14,180) | | (14,180) |
| Cash Payments for Other Expenses | (616) | (\$750) | (1,366) |
| Net Cash Used for Operating Activities | <u>(4,385)</u> | <u>(750)</u> | <u>(5,135)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Operating Grants Received | 12,340 | | 12,340 |
| Donations and Contributions | | 829 | 829 |
| Net Cash Provided by Noncapital Financing Activities | <u>12,340</u> | <u>829</u> | <u>13,169</u> |
| Cash Flows from Investing Activities: | | | |
| Cash Received from Interest | | 742 | 742 |
| Net Increase in Cash and Cash Equivalents | 7,955 | 821 | 8,776 |
| Cash and Cash Equivalents at Beginning of Year | <u>45,127</u> | <u>10,521</u> | <u>55,648</u> |
| Cash and Cash Equivalents at End of Year | <u>\$53,082</u> | <u>\$11,342</u> | <u>\$64,424</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities: | | | |
| Operating Income (Loss) | (17,258) | 815 | (16,443) |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities: | | | |
| Depreciation | 700 | | 700 |
| Donated Commodities Used During Year | 10,618 | | 10,618 |
| Donations and Contributions | | (829) | (829) |
| Interest | | (736) | (736) |
| Changes in Assets and Liabilities: | | | |
| Increase in Accounts Receivable | (533) | | (533) |
| Increase in Inventory Held for Resale | (1,738) | | (1,738) |
| Decrease in Materials and and Supplies Inventory | 46 | | 46 |
| Increase in Accounts Payable | 3,668 | | 3,668 |
| Increase in Accrued Wages and Benefits | 1,153 | | 1,153 |
| Decrease in Compensated Absences Payable | (2,619) | | (2,619) |
| Increase in Intergovernmental Payable | 1,578 | | 1,578 |
| Net Cash Used for Operating Activities | <u>(\$4,385)</u> | <u>(\$750)</u> | <u>(\$5,135)</u> |
| Reconciliation of Trust and Agency Funds | | | |
| Cash and Cash Equivalents - All Fiduciary Funds | | \$20,216 | |
| Cash and Cash Equivalents - Agency Funds | | (8,874) | |
| Cash and Cash Equivalents - Nonexpendable Trust Funds | | <u>\$11,342</u> | |

See accompanying notes to the general purpose financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

New Knoxville 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/or federal guidelines.

The School District was established in 1833 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 33 square miles. It is located in Auglaize County, and includes all of the Village of New Knoxville and portions of surrounding townships. It is staffed by 18 non-certificated employees, 34 certificated full-time teaching personnel and 3 administrative employees who provide services to 462 students and other community members. The School District currently operates one instructional building. The administrative and Board of Education offices are located within the instructional building.

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 consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New Knoxville 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 does not have any component units.

The School District is associated with four jointly governed organizations and two group purchasing pools. These organizations are the Western Ohio Computer Organization (WOCO), Auglaize County Local Professional Development Committee, West Central Ohio Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center (SERRC), Mercer Auglaize School Employees Benefit Trust, and the Ohio School Board Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Knoxville 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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 - 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 non-expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do 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.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Enterprise and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(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 and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and 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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 Auglaize 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 final amended certificate issued during fiscal year 2001.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of moneys 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 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 2001, investments were limited to STAR Ohio, repurchase agreements, and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts and repurchase agreements such as non-negotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$112,637 which includes approximately \$28,860 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 an expenditure in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instruction materials, for the acquisition or construction of capital assets and to create a reserve for budget stabilization.

G. 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 related 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 one thousand dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

H. Intergovernmental Revenues

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Program

Non-Reimbursable Grants

Special Revenue Funds

Local Professional Development
Education Management Information Systems
SchoolNet Professional Development
Ohio Reads
Summer Intervention
Safe School Help Line
Title II
Title VI-B
Title VI
Drug Free
Title VI R

Capital Projects Funds

SchoolNet
OneNet
Technology Equity
Interactive Video Distance Learning

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 55 percent of the School District's governmental revenues during the 2001 fiscal year.

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 termination method. An accrual for estimated sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Bonds are reported as a liability of the general long-term obligations account group until due.

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

K. 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.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves and Designations

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, inventory, property taxes, textbooks and instructional materials, capital improvement, budget stabilization, endowments, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

The designation for capital improvements represents amounts set-aside in excess of statutorily required amounts.

M. Use of 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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, results of operations, or cash flows 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. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" and GASB Statement No. 36, "*Recipient Reporting for Certain Shared Nonexchange Revenues*". GASB Statement No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available. Implementing GASB Statement No. 33 and 36 had no material effect on the financial statements.

4. CHANGE IN THE APPLICATION OF AN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District had increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$500 to \$1,000. The fixed assets reported in the general fixed assets account group decreased \$331,282 from \$4,974,756 to \$4,643,474 due to the change in the threshold amount for capitalizing fixed assets. The fixed assets reported in the lunchroom enterprise fund increased by \$1,240 from \$8,847 to \$10,087, due to the reduction in reporting threshold and additions from prior periods. The District increased their threshold to reduce the cost of maintaining fixed asset information by significantly reducing the number of items that have to be tracked.

5. ACCOUNTABILITY AND COMPLIANCE

The Title VI B special revenue fund had a deficit fund balance of \$1,522, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Interactive Video Distance Learning Fund had appropriations in excess of estimated resources in the amount of \$29,567.

6. 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 the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

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 proprietary fund type (GAAP basis).
4. In addition, the School District does not budget for the activities of the funds held and spent on behalf of the School District.

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**

| | General | Special Revenue | Debt Service | Capital Projects |
|--------------------------------------------------------|-------------|--------------------|-----------------|---------------------|
| GAAP Basis | (\$86,358) | (\$93,718) | \$37,051 | \$46,684 |
| Revenue Accruals | 33,071 | (123) | 1,574 | 2,275 |
| Expenditure Accruals | 18,160 | 505 | (10,000) | (85,646) |
| To Record Excess of Revenues Over Expenditures for | | | | |
| Nonbudgeted Funds | 0 | 415 | 0 | 0 |
| Residual Equity Transfers | 0 | 0 | 128,251 | (128,251) |
| Encumbrances Outstanding At year End (Budget Basis) | (155,620) | (10,254) | 0 | (3,721) |
| Budget Basis | (\$190,747) | (\$103,175) | \$156,876 | (\$168,659) |

**Net Income (Loss)/Excess of Revenues Under Expenses
Proprietary Fund Type and Similar Trust Funds**

| | Enterprise | Nonexpendable Trust |
|---------------------------------------------------------------|------------|------------------------|
| GAAP Basis | \$5,468 | \$815 |
| Revenue Accrual | (301) | 6 |
| Expense Accrual | 3,780 | 0 |
| Materials and Supplies Inventory | 46 | 0 |
| Inventory Held for Resale | (1,738) | 0 |
| Depreciation | 700 | 0 |
| Encumbrances Outstanding at Fiscal Year End (Budget Basis) | (6,670) | (750) |
| Budget Basis | \$1,285 | \$71 |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

7. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. 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 has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 or deposit accounts including pass book accounts. Interim moneys 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 services 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

7. DEPOSITS AND INVESTMENTS (Continued)

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District's special revenue funds had a balance of \$932 with the Auglaize County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the Auglaize County Educational Service Center as a whole may be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Drive, Wapakoneta, Ohio 45895.

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 \$587,095 and the bank balance was \$603,045. Of the bank balance \$128,549 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Investments: GASB Statement 3, "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements,*" requires that local governments disclose the market value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The investments held by the School District at June 30, 2001, were STAROhio, which had a fair value of \$102,951, which is unclassified since it is not evidenced by securities that exist in physical or book entry form, and a repurchase agreement with a fair value of \$1,150,511, as June 30, 2001.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

7. DEPOSITS AND INVESTMENTS (continued)

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|------------------------|-----------------------------------------------|--------------------|
| GASB Statement 9 | \$1,830,889 | \$10,600 |
| Cash with ESC | (932) | |
| Investments: | | |
| Certificate of Deposit | 10,600 | (10,600) |
| Repurchase Agreements | (1,150,511) | 1,150,511 |
| STAR Ohio | (102,951) | 102,951 |
| GASB Statement 3 | \$587,095 | \$1,253,462 |

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market 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.

Public utility real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

8. PROPERTY TAXES (Continued)

The School District receives property taxes from Auglaize and Shelby counties. The Auglaize and Shelby 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$81,469 in the general fund, \$9,351 in the bond retirement debt service fund, and \$3,084 in the replacement capital projects fund. The amounts available as an advance at June 30, 2000 were \$92,807 in the general fund, \$10,925 in the bond retirement debt service fund, and \$3,106 in the replacement capital projects fund and are recognized as revenue.

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

| | 2000 Second- Half Collections | | 2001 First- Half Collections | |
|---------------------------------------------------|------------------------------------------|----------------|-----------------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$32,139,070 | 86.09% | \$32,872,950 | 87.48% |
| Public Utility | 1,869,840 | 5.01% | 1,325,270 | 3.52% |
| Tangible Personal Property | 3,326,590 | 8.90% | 3,380,290 | 9.00% |
| Total Assessed Value | \$37,335,500 | 100.00% | \$37,578,510 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$52.35 | | \$52.35 | |

9. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | Amounts |
|--------------------------------------------|-----------------|
| General Fund | |
| Transportation | \$5,501 |
| Capital Projects Fund | |
| Interactive Video Distance Learning | 31,500 |
| Enterprise Fund | |
| Federal Lunch Subsidy | 1,242 |
| Total Intergovernmental Receivables | \$38,243 |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

10. FIXED ASSETS

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

| | |
|-------------------------------|------------------------|
| Furniture and Equipment | \$36,117 |
| Less Accumulated Depreciation | <u>(26,030)</u> |
| Net Fixed Assets | <u><u>\$10,087</u></u> |

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

| Asset Category | Balance at 6/30/2000 | Additions | Deletions | Balance at 6/30/2001 |
|-----------------------------------|-------------------------|------------------|-----------------|-------------------------|
| Land and Improvements | \$96,082 | \$56,000 | \$0 | \$152,082 |
| Buildings and Improvements | 3,954,640 | 1,600 | 0 | 3,956,240 |
| Furniture, Fixtures and Equipment | 342,234 | 143,472 | 45,479 | 440,227 |
| Vehicles | 250,518 | 0 | 0 | 250,518 |
| Totals | <u>\$4,643,474</u> | <u>\$201,072</u> | <u>\$45,479</u> | <u>\$4,799,067</u> |

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with the Utica National Insurance Company for property, fleet insurance, liability insurance, and inland marine coverage. Coverages provided by this company are as follows:

| | |
|-------------------------------------------------------------|-------------|
| Building and Contents-replacement cost (\$1,000 deductible) | \$8,542,800 |
| EDP Coverage | 560,000 |
| Automobile Liability | 1,000,000 |
| Medical Payments Per Person | 10,000 |
| Crime Insurance | 2,000 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Aggregate | 5,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reductions in coverages from the prior year.

For fiscal year 2001, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to reduce premiums for the participants. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Program.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

11. RISK MANAGEMENT (Continued)

A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the Program. Each year, the School District pays an enrollment fee to the Program to cover the costs of administering the program.

The School District participates in the Mercer Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and an educational service center. The School District pays monthly premiums to the Trust for medical and dental benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

12. DEFINED BENEFIT PENSION PLANS

A. 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 administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$133,171, \$128,988, and \$125,110, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$22,124 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

B. 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$13,026, \$14,864, and \$18,726, respectively; 38 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$8,060 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the 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 \$63,081 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001. 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

13. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll; an increase from 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$38,042 during the 2001 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001, was \$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.

14. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for teachers, administrators, and classified personnel.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical and dental benefits through Mercer Auglaize Area School Employees Welfare Benefit Association. The employees share the cost of the monthly premium of the hospitalization/major medical plan with the Board. The premium varies with employee depending on the terms of the union contract and family or single coverage. The Board pays 92 percent of the hospitalization/major medical plan and 100 percent of dental insurance.

The School District also provides life insurance and accidental death and dismemberment insurance with CoreSource Insurance.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

15. LONG-TERM OBLIGATIONS

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

| | Principal Outstanding 6/30/2000 | Additions | Deductions | Principal Outstanding 6/30/2001 |
|-------------------------------------|------------------------------------------------|------------------|-------------------|------------------------------------------------|
| General Obligation Bonds: | | | | |
| Serial and Term Bonds | \$1,940,000 | \$0 | \$20,000 | \$1,920,000 |
| Capital Appreciation Bonds | 53,491 | 7,408 | 0 | 60,899 |
| Pension Obligation | 20,964 | 21,205 | 20,964 | 21,205 |
| Compensated Absences | 66,127 | 15,741 | 0 | 81,868 |
| Total General Long-Term Obligations | <u>\$2,080,582</u> | <u>\$44,354</u> | <u>\$40,964</u> | <u>\$2,083,972</u> |

Building Addition General Obligation Bonds - On March 20, 1998, New Knoxville Local School District issued \$1,999,768 in voted general obligation bonds for the purpose of constructing an additional to their existing instruction building. The bond issue included serial, term, and capital appreciation bonds in the amount of \$725,000, \$1,235,000, and \$39,768, respectively. The bonds were issued for a twenty-six year period with final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2016 through 2023 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2024) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

| Year | Principal Amount To be Redeemed | Year | Principal Amount To be Redeemed |
|------|--------------------------------------------|------|--------------------------------------------|
| 2016 | \$115,000 | 2020 | \$140,000 |
| 2017 | 120,000 | 2021 | 145,000 |
| 2018 | 125,000 | 2022 | 155,000 |
| 2019 | 135,000 | 2023 | 160,000 |

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1 in 2008 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2008 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

| Redemption Dates (Dates Inclusive) | Redemption Prices |
|-----------------------------------------------|------------------------------|
| December 1, 2008 through November 30, 2009 | 101% |
| December 1, 2009 and thereafter | 100 |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

15. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$345,000. For fiscal year 2001, \$7,408 was accreted for a total bond value of \$60,899.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

The School District's overall legal debt margin was \$1,401,167 with an unvoted debt margin of \$37,579 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|----------------------------------------|--------------------|--------------------|--------------------|
| 2002 | \$ 10,000 | \$ 95,854 | \$ 105,854 |
| 2003 | 20,000 | 95,214 | 115,214 |
| 2004 | 15,000 | 94,458 | 109,458 |
| 2005 | 25,000 | 93,575 | 118,575 |
| 2006 | 25,000 | 92,450 | 117,450 |
| 2007-2011 | 365,000 | 424,774 | 789,774 |
| 2012-2016 | 264,768 | 633,048 | 897,816 |
| 2017-2021 | 635,000 | 238,441 | 873,441 |
| 2022-2024 | 600,000 | 61,243 | 661,243 |
| Total | <u>\$1,959,768</u> | <u>\$1,829,057</u> | <u>\$3,788,825</u> |

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

| | Textbooks | Capital Acquisition | Budget Stabilization |
|--------------------------------------------|------------------|--------------------------------|---------------------------------|
| Set-aside Cash Balance as of June 30, 2000 | \$24,338 | \$36,353 | \$13,663 |
| Current Year Set-aside Requirement | 63,640 | 63,640 | 0 |
| Current Year Offsets | 0 | (34,290) | 0 |
| Qualifying Disbursements | (78,357) | 0 | 0 |
| Total | <u>\$9,621</u> | <u>\$65,703</u> | <u>\$13,663</u> |
| Cash Carried Forward to Fiscal Year 2001 | <u>\$9,621</u> | <u>\$65,703</u> | <u>\$13,663</u> |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three 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 New Knoxville Local School District as of and for the fiscal year ended June 30, 2001.

| | <u>Food Service</u> | <u>Uniform School Supply</u> | <u>Total Enterprise Funds</u> |
|-------------------------------------------------------------|---------------------|--------------------------------------|---------------------------------------|
| Operating Revenues | \$98,702 | \$19,893 | \$118,595 |
| Operating Loss | (11,206) | (6,052) | (17,258) |
| Donated Commodities | 10,618 | 0 | 10,618 |
| Operating Grants | 12,108 | 0 | 12,108 |
| Net Income (Loss) | 11,520 | (6,052) | 5,468 |
| Net Working Capital | 11,167 | 32,281 | 43,448 |
| Total Assets | 33,590 | 36,073 | 69,663 |
| Total Equity | 19,364 | 32,281 | 51,645 |
| Encumbrances Outstanding At June 30, 2001 (Budget Basis) | 434 | 6,236 | 6,670 |

18. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Shelby, Hardin, Logan, Miami, and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Sony Ivey, Director, at 129 East Court Street, Sidney, Ohio 45365.

B. Auglaize County Local Professional Development Committee – The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan which will facilitate professional growth opportunities and effectively meet state licensure requirements.

Financial information can be obtained from Krista Hart, Treasurer of the Auglaize County Educational Service Center at 1045 Dearbaugh Drive, Suite 3, Wapakoneta, Ohio 45895.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

- C. West Central Regional Professional Development Center (Center)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives; one from each of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Bradley Browne, Treasurer at the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.
- D. West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members which includes the superintendent from each participating school districts, and representatives from a non-public school and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

19. GROUP PURCHASING POOL

- A. Mercer Auglaize School Employees Benefit Trust** - The Mercer Auglaize School Employees Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust. Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.
- B. Ohio School Boards Association Workers' Compensation Group Rating Program** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect and the Immediate past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

20. STATE SCHOOL FUNDING DECISION

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

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

21. CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no matters in litigation with the School District as defendant.

22. SUBSEQUENT EVENTS

On September 24, 2002, the District contracted with New Tech Roofing for roof replacement, in the amount of \$177,000.



**Auditor of State
Betty Montgomery**

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

New Knoxville Local School District
Auglaize County
345 South Main Street
New Knoxville, Ohio 45871-0476

To the Board of Education:

We have audited the financial statements of New Knoxville Local School District (the School District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 28, 2003, wherein, we noted that the District increased its fixed asset capitalization threshold amount. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompany schedule of findings as item 2001-10206-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely effect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10206-002.

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.

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

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be 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 February 28, 2003.

This report is intended for the information and use of the 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

February 28, 2003

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2001

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

FINDING NUMBER - 2001-10206-001

Ohio Rev. Code Section 5705.39, states that the total appropriations from each fund shall not exceed the total estimated revenue. An appropriation measure is not to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The District adopted a permanent appropriation measure during January 2001, however, it was not filed with the county auditor and a certificate was not issued by the county auditor that indicated that the total appropriations from each fund did not exceed the amended certificate of estimated resources. There were no amendments to the appropriation measure throughout the year, with the exception of a year-end amendment in June 2001. The required certificate was not obtained from the County Auditor.

In addition, the following fund had appropriations exceeding estimated resources at year end:

| Fund | Estimated Resources | Appropriations | Excess |
|-------------------------------------|---------------------|----------------|----------|
| Interactive Video Distance Learning | \$5,433 | \$35,000 | \$29,567 |

FINDING NUMBER - 2001-10206-002

During the annual organizational meeting, the Board delegates the responsibility of purchasing agent to the superintendent, who is required to review and approve all expenditures within \$3,000, which encompasses approximately 84 percent of the expenditure transactions. Expenditures in excess of \$3,000 are approved by the Board of Education.

There is no physical evidence, beyond automatic computer generated facsimile signatures on the purchase orders, that the Superintendent, via initial or date, is reviewing and/or approving the purchases.

The lack of proper review and approval of purchase obligations, allows the possibility of incorrect payments, or payments that would not be authorized, and errors and/or irregularities to occur without being detected by personnel during the normal course of business.

The Superintendent (purchasing agent) should adhere to the delegated responsibility and statute which require the approval of the purchases by the superintendent. This review and approval process could be accomplished by initialing and dating purchase orders, beside the automatic computer generated facsimile signature.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2000-10206-001 | Ohio Rev. Code Section 5705.41(D). | Partially | During fiscal year 2001, there has been evidence of prior certification being performed for expenditure. Due to the limited number of instances noted, a management letter comment will be issued. |
| 2000-10206-002 | Evidence of approval of expenditures | No | Limited corrective action has been taken. |



**Auditor of State
Betty Montgomery**

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NEW KNOXVILLE LOCAL SCHOOL DISTRICT

AUGLAIZE 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
APRIL 10, 2003**