

**NEW LEXINGTON CITY SCHOOL DISTRICT**

**PERRY COUNTY**

**SINGLE AUDIT**

**JULY 1, 2007 – JUNE 30, 2008**





Mary Taylor, CPA  
Auditor of State

Board of Education  
New Lexington City School District  
101 Third Avenue  
New Lexington, Ohio 43764

We have reviewed the *Independent Auditors' Report* of the New Lexington City School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 30, 2008

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

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Board of Education  
New Lexington City School District  
101 Third Avenue  
New Lexington, Ohio 43764

### **Independent Auditors' Report**

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio, as of June 30, 2008, and the respective changes in the modified cash basis financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
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FAX (740) 345-5635

New Lexington City School District  
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Auditing Standards Board requires. We have applied certain limited procedures, consisting primarily of inquiries of management regarding the method of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 12, 2008



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

This discussion and analysis of the New Lexington City School District's "the District" financial performance provides an overall review of the District's financial activities for the year ended June 30, 2008, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2008 are as follows:

- Net assets of governmental activities increased \$610,204, or 9.5 percent.
- The District's general receipts are primarily property taxes and intergovernmental aid. These receipts represent respectively 14.8%, and 48.7% of the total cash received for governmental activities during the year.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$6.4 million, an increase of 329,757 or 5.4% in comparison with the restated modified cash basis fund balances from the prior year. Of this total amount, approximately \$3.2 million is available for spending at the District's discretion (unreserved fund balance).

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the District reports governmental activities, which are the District's basic services. State and federal grants, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

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

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary, and fiduciary.

***Governmental Funds*** - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's only major governmental fund is the general fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

**Proprietary Fund** - The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** - The District's only fiduciary fund is for student managed activities reported in agency funds. The District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude those activities from the District's other financial statements because the assets can't be used by the District.

**The District as a Whole**

Because for fiscal year 2007, the District prepared its basic financial statements in accordance with accounting principles generally accepted in the United States of America, we have not prepared a comparison schedule of changes in net assets for 2008 and 2007 for the District's governmental activities. In future years, we will present such a schedule on the modified cash basis of accounting.

Table 1 provides a summary of the District's net assets for fiscal year 2008 on a modified cash basis:

(Table 1)

**Net Assets**

	Governmental Activities
	2008
<b>Assets</b>	
Cash and Cash Equivalents	\$7,046,996
Total Assets	\$ 7,046,996
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 956
Debt Service	589,061
Set Asides	136,531
Claims	86,216
Other Purposes	1,136,243
Unrestricted	5,097,989
Total Net Assets	\$ 7,046,996

As mentioned previously, net assets of governmental activities increased \$610,204 or 9.5 percent during fiscal year 2008.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

Table 2 provides a summary of the District's change in net assets for fiscal year 2008 on a modified cash basis:

Table 2  
Changes in Net Assets

	Governmental Activities 2008
Cash Receipts:	
Program Cash Receipts:	
Charges for Services and Sales	\$ 690,942
Operating Grants and Contributions	4,075,189
Total Program Cash Receipts	4,766,131
General Cash Receipts:	
Property Taxes	3,445,730
Payment in Lieu of Taxes	580,967
Grants and Entitlements	11,356,965
Investment Earnings	224,954
Refunding Bond Proceeds	2,514,996
Premium on Issuance of Bonds	159,980
Other Receipts	280,860
Total General Cash Receipts	18,564,452
Total Cash Receipts	23,330,583
Program Cash Disbursements:	
Instruction:	
Regular	8,049,025
Special	2,786,027
Vocational	602,166
Other	1,817
Support Services:	
Pupils	867,954
Instructional Staff	540,616
Board of Education	113,895
Administration	1,389,078
Fiscal	397,607
Business	76,290
Operation and Maintenance of Plant	1,988,621
Pupil Transportation	1,263,907
Central	286,712
Food Service Operations	854,291
Community Services	97,190
Extracurricular Activities	401,519
Capital Outlay	1,157
Debt Service:	
Principal Retirement	2,786,214
Interest and Fiscal Charges	216,293
Total Program Cash Disbursements	22,720,379
Change in Net Assets	610,204
Net Assets at Beginning of Year, as restated	6,436,792
Net Assets at Beginning of Year	\$ 7,046,996

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

Program receipts represent only 20.4 percent of total receipts and are comprised of charges for services and sales and operating grants and contributions.

General receipts represent 79.6 percent of the District's total receipts, and of this amount, over 18.6 percent are local taxes. State and federal grants and entitlements make up 61.2 percent of the District's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services, which account for 50.3 and 30.5 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The Net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

<b>Program Cash Disbursements</b>	Total Cost of Services 2008	Net Cost of Services 2008
Instruction:		
Regular	\$ 8,049,025	\$ 6,042,033
Special	2,786,027	2,126,697
Vocational	602,166	421,286
Other Instruction	1,817	1,747
Support Services:		
Pupils	867,954	659,073
Instructional Staff	540,616	274,116
Board of Education	113,895	113,895
Administration	1,389,078	1,212,694
Fiscal Services	397,607	323,970
Business	76,290	73,317
Maintenance	1,988,621	1,988,621
Pupil Transportation	1,263,907	1,166,944
Central	286,712	271,742
Food Service Operations	854,291	212,803
Community Services	97,190	(263,368)
Extra Curricular Activities	401,519	325,014
Capital Outlay	1,157	1,157
Debt Service:		
Principal Retirement	2,786,214	2,786,214
Interest and Fiscal Charges	216,293	216,293
<b>Total Cash Disbursements</b>	<b>\$ 22,720,379</b>	<b>\$ 17,954,248</b>

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

Because for 2007, the District prepared its basic financial statements in accordance with accounting principles generally accepted in the United States of America, we have not prepared a comparison schedule of total and net cost of services for 2008 and 2007 for the District's governmental activities. In future years, we will present such a schedule on the modified cash basis of accounting.

**The District's Funds**

Total governmental funds had receipts and other financing sources of approximately \$23.5 million and disbursements and other financing uses of approximately \$23.1 million. The greatest change within governmental funds occurred within the Other Governmental Funds. The fund balance of the Other Governmental Funds increased \$503,943.

General Fund receipts were less than disbursements by \$174,186 indicating that the General Fund is in a deficit spending situation.

**General Fund Budgeting Highlights**

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

During fiscal year 2008, the District amended its general fund budget to reflect changing circumstances. Final budgeted receipts increased \$547,000, or 3.6%, over the original budgeted receipts. Final appropriations increased \$727,282, or 4.6%, over the original budgeted appropriations.

Final disbursements were budgeted at \$16,826,017 while actual disbursements including encumbrances were \$16,692,212.

**Debt**

At June 30, 2008, the District's outstanding debt consisted mainly of refunded bonds and capital leases for facilities and equipment. For further information regarding the District's debt, refer to Note 11 to the basic financial statements.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dan Stanton, Treasurer, New Lexington City School District, 101 Third Ave., New Lexington, Ohio, 43764.

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2008

	Governmental <u>Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$ 7,046,996</u>
Total Assets	<u><u>\$ 7,046,996</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 956
Debt Service	589,061
Set Asides	136,531
Claims	86,216
Other Purposes	1,136,243
Unrestricted	<u>5,097,989</u>
Total Net Assets	<u><u>\$ 7,046,996</u></u>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Receipts			Net (Disbursements)/ Receipts and Changes in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Regular	\$ 8,049,025	\$ 250,081	\$ 1,756,911	\$ (6,042,033)
Special	2,786,027	84,566	574,764	(2,126,697)
Vocational	602,166	23,468	157,412	(421,286)
Other Instruction	1,817	70	-	(1,747)
Support Services:				
Pupils	867,954	-	208,881	(659,073)
Instructional Staff	540,616	-	266,500	(274,116)
Board of Education	113,895	-	-	(113,895)
Administration	1,389,078	-	176,384	(1,212,694)
Fiscal Services	397,607	-	73,637	(323,970)
Business	76,290	-	2,973	(73,317)
Operation and Maintenance	1,988,621	-	-	(1,988,621)
Pupil Transportation	1,263,907	-	96,963	(1,166,944)
Central	286,712	-	14,970	(271,742)
Food Services Operations	854,291	-	641,488	(212,803)
Community Services	97,190	256,252	104,306	263,368
Extra Curricular Activities	401,519	76,505	-	(325,014)
Capital Outlay	1,157	-	-	(1,157)
Debt Service:				
Principal Retirement	2,786,214	-	-	(2,786,214)
Interest and Fiscal Charges	216,293	-	-	(216,293)
<b>Total Governmental Activities</b>	<b><u>\$ 22,720,379</u></b>	<b><u>\$ 690,942</u></b>	<b><u>\$ 4,075,189</u></b>	<b><u>(17,954,248)</u></b>

General Receipts	
Property Taxes	3,445,730
Payment in Lieu of Taxes	580,967
Grants & Entitlements not Restricted to Specific Programs	11,356,965
Investment Earnings	224,954
Refunding Bond Proceeds	2,514,996
Premium on Issuance of Bonds	159,980
Other Receipts	<u>280,860</u>
<b>Total General Receipts</b>	<b><u>18,564,452</u></b>
Change in Net Assets	610,204
Net Assets Beginning of Year, as Restated	<u>6,436,792</u>
Net Assets End of Year	<b><u>\$ 7,046,996</u></b>

See accompanying notes to the basic financial statements.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 4,515,566	\$ 1,762,187	\$ 6,277,753
Restricted Cash and Cash Equivalents	136,531	-	136,531
<b>Total Assets</b>	<u><u>\$ 4,652,097</u></u>	<u><u>\$ 1,762,187</u></u>	<u><u>\$ 6,414,284</u></u>
 <b>Fund Balances:</b>			
Reserved/Designated:			
Reserved for Encumbrances	\$ 782,469	\$ 504,560	\$ 1,287,029
Reserved for Textbooks	136,531	-	136,531
Unreserved- Designated for Budget Stabilization	509,166	-	509,166
Unreserved, Undesignated, Reported in:			
General Fund	3,223,931	-	3,223,931
Debt Service Fund	-	589,061	589,061
Special Revenue Funds	-	667,610	667,610
Capital Project Funds	-	956	956
 <b>Total Fund Balances</b>	 <u><u>\$ 4,652,097</u></u>	 <u><u>\$ 1,762,187</u></u>	 <u><u>\$ 6,414,284</u></u>

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total Governmental Fund Balances</b>	\$ 6,414,284
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Governmental activities' net assets include the internal service funds' cash and cash equivalents. The proprietary funds' statement include these assets.	<u>632,712</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 7,046,996</u></u>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH  
BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>			
Property Taxes	\$ 2,830,387	\$ 615,343	\$ 3,445,730
Payment In Lieu of Taxes	580,967	-	580,967
Intergovernmental	11,527,021	3,905,133	15,432,154
Interest	222,257	2,697	224,954
Tuition and Fees	358,185	1,774	359,959
Extracurricular Activities	-	76,505	76,505
Food Service	-	254,478	254,478
Other Receipts	71,213	83,814	155,027
<b>Total Receipts</b>	<b>15,590,030</b>	<b>4,939,744</b>	<b>20,529,774</b>
<b>Disbursements:</b>			
Current:			
Instruction:			
Regular	6,545,365	1,622,782	8,168,147
Special	2,213,350	605,816	2,819,166
Vocational	614,237	-	614,237
Other	1,817	-	1,817
Support services:			
Pupils	668,113	220,959	889,072
Instructional staff	265,066	282,594	547,660
Board of Education	113,895	-	113,895
Administration	1,234,180	177,778	1,411,958
Fiscal	375,676	26,999	402,675
Business	24,986	51,304	76,290
Operation and Maintenance of Plant	1,883,386	125,000	2,008,386
Pupil Transportation	1,216,076	72,334	1,288,410
Central	284,502	2,704	287,206
Operation of Food Services	-	869,532	869,532
Community Services	-	97,192	97,192
Extracurricular Activities	294,420	107,099	401,519
Capital Outlay	-	1,157	1,157
Debt service:			
Principal Retirement	41,306	130,000	171,306
Interest and Fiscal Charges	6,370	149,855	156,225
Bond Issuance Costs on Refunding Bonds	-	60,068	60,068
<b>Total Disbursements</b>	<b>15,782,745</b>	<b>4,603,173</b>	<b>20,385,918</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(192,715)	336,571	143,856
<b>Other financing sources/(uses):</b>			
Other Financing Sources	72,728	104	72,832
Refunding Bond Proceeds	-	2,514,996	2,514,996
Premium on the Issuance of Bonds	-	159,980	159,980
Sale of Assets	53,001	-	53,001
Payment to Refunded Bond Escrow Agent	-	(2,614,908)	(2,614,908)
Transfers In	-	127,000	127,000
Transfers Out	(127,000)	-	(127,000)
Advance In	19,800	-	19,800
Advance Out	-	(19,800)	(19,800)
<b>Total other financing sources</b>	<b>18,529</b>	<b>167,372</b>	<b>185,901</b>
<b>Net Change in Fund Balances</b>	<b>(174,186)</b>	<b>503,943</b>	<b>329,757</b>
Fund Balance at Beginning of Year, as Restated	4,826,283	1,258,244	6,084,527
<b>Fund Balance at End of Year</b>	<b>\$ 4,652,097</b>	<b>\$ 1,762,187</b>	<b>\$ 6,414,284</b>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 329,757
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts.	<u>280,447</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$610,204</u></u>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Receipts:</b>				
Property Taxes	\$ 2,598,000	\$ 2,830,565	\$ 2,830,387	\$ (178)
Payment in Lieu of Taxes	-	580,967	580,967	-
Intergovernmental	11,935,924	11,522,392	11,527,021	4,629
Interest	200,500	220,500	222,257	1,757
Tuition and Fees	211,690	328,690	358,185	29,495
Other	47,810	57,810	71,213	13,403
<b>Total Receipts</b>	<b>14,993,924</b>	<b>15,540,924</b>	<b>15,590,030</b>	<b>49,106</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,245,806	6,762,889	6,631,552	131,337
Special	2,122,866	2,213,349	2,213,349	-
Vocational	649,841	615,537	615,537	-
Other	8,045	1,817	1,817	-
<b>Support Services:</b>				
Pupils	591,086	687,238	687,238	-
Instructional Staff	316,699	295,085	295,085	-
Board of Education	110,732	114,896	114,896	-
Administration	1,355,740	1,290,836	1,290,836	-
Fiscal	357,010	378,416	378,416	-
Business	29,125	57,685	55,218	2,467
Operation and Maintenance of Plant	2,243,784	2,299,740	2,299,740	-
Pupil Transportation	1,222,299	1,313,967	1,313,966	1
Central	394,027	304,774	304,774	-
Community Services	1,600	-	-	-
Extracurricular Activities	323,075	315,112	315,112	-
<b>Debt Service:</b>				
Principal Retirement	-	41,306	41,306	-
Interest and Fiscal Charges	-	6,370	6,370	-
<b>Total Disbursements</b>	<b>15,971,735</b>	<b>16,699,017</b>	<b>16,565,212</b>	<b>133,805</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(977,811)</b>	<b>(1,158,093)</b>	<b>(975,182)</b>	<b>182,911</b>
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources	80,000	80,000	72,728	(7,272)
Sale of Assets	-	-	53,001	53,001
Transfers Out	(127,000)	(127,000)	(127,000)	-
Advances In	22,800	22,800	19,800	(3,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(24,200)</b>	<b>(24,200)</b>	<b>18,529</b>	<b>42,729</b>
<b>Net Change in Fund Balance</b>	<b>(1,002,011)</b>	<b>(1,182,293)</b>	<b>(956,653)</b>	<b>225,640</b>
Fund Balances at Beginning of Year	4,092,766	4,092,766	4,092,766	-
Prior Year Encumbrances Appropriated	733,515	733,515	733,515	-
<b>Fund Balances at End of Year</b>	<b>\$ 3,824,270</b>	<b>\$ 3,643,988</b>	<b>\$ 3,869,628</b>	<b>\$ 225,640</b>

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

STATEMENT OF FUND NET ASSETS- MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2008

	Governmental Activities
	<u>Internal Service</u>
<b>Assets:</b>	
Equity in Pooled Cash and Investments	\$ 632,712
Total Assets	<u>\$ 632,712</u>
<b>Net Assets:</b>	
Restricted for Claims	\$ 86,216
Unrestricted	546,496
Total Net Assets	<u>\$ 632,712</u>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN NET ASSETS-MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Governmental Activities
	Internal Service
<b>Operating Receipts:</b>	
Charges for Services	\$ 3,149,709
Miscellaneous	1,620
Total Operating Receipts	3,151,329
 <b>Operating Disbursements:</b>	
Purchased Services	378,209
Claims	2,490,730
Miscellaneous	1,943
Total Operating Disbursements	2,870,882
 Change in Net Assets	280,447
 Net Assets at Beginning of Year, as Restated	352,265
Net Assets at End of Year	\$ 632,712

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2008

	Agency Fund
<b>Assets:</b>	
Cash and Cash Equivalents	<u>\$ 57,051</u>
Total Assets	<u><u>\$ 57,051</u></u>
<b>Net Assets</b>	
Held for Students Activity	<u>\$ 57,051</u>
Total Net Assets	<u><u>\$ 57,051</u></u>

See accompanying notes to the basic financial statements.



New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 1 – Reporting Entity**

The New Lexington City School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five member board form of government and provides educational services as mandated by State statute and Federal agencies. The Board of Education controls the District’s five instructional/support facilities staffed by 78 classified employees and 151 certified teaching personnel who provide services to 1,955 students and other community members.

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

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

The District participates in the Southeast Ohio Voluntary Educational Consortium, the Tri-County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, and the Southeastern Ohio Special Education Regional Resource Council, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers’ Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 15 and 16.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District’s accounting policies.

**A. Basis of Presentation**

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

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's only major fund is the General Fund.

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

The other governmental funds of the District account for debt service, capital projects, and other resources.

Proprietary Funds - The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Fiduciary Funds - The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District has no trust fund accounts. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Cash and Cash Equivalents".

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2008 was \$222,257.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside by the District.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment health care benefits.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 2 - Summary of Significant Accounting Policies** (continued)

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the restricted net assets totaling \$1,949,007 were restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when an cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves/Designations

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and textbooks. The amount set aside by the Board for Budget Stabilization is reported as a designation of fund balance in the general fund.

O. Interfund Transactions

Transfers within governmental activities are eliminated on government-wide financial statements.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during the fiscal year.

Q. Operating Receipts and Disbursements

Operating Receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the District, these receipts are charges for services for self-insurance programs. Operating disbursements are necessary costs incurred to provide goods and services that are the primary activity of the fund.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

A. Change in Basis of Accounting

For fiscal year 2008, the District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2C.

B. Restatement of Fund Balance/Net Assets

The implementation of this change had the following effects on fund equity of the major and non-major funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Title I	Other Governmental	Total Governmental
Fund Balance June 30, 2007	\$ 4,076,830	\$ 75,499	\$ 1,066,917	\$ 5,219,246
Eliminate Asset Accruals	(2,520,307)	(207,142)	(783,978)	(3,511,427)
Eliminate Inventory	-	-	(14,550)	(14,550)
Eliminate Interfund Receivables (Payables)	(22,800)	-	-	(22,800)
Eliminate Liability Accruals	3,292,560	204,736	916,762	4,414,058
Adjusted Fund Balance June 30, 2007	<u>\$ 4,826,283</u>	<u>\$ 73,093</u>	<u>\$ 1,185,151</u>	<u>\$ 6,084,527</u>

Governmental Activities Net Assets June 30, 2007 \$ 30,285,413  
Eliminate Government-Wide Financial Statements Adjustments:

Account Receivable	(57,622)
Due from Other Governments	(756,866)
Taxes Receivable	(2,696,939)
Capital Assets	(28,139,283)
Inventory	(14,550)
Due to Other Governments	396,162
Accrued Liabilities	1,807,709
Deferred Revenue	1,171,523
Claims Payable	356,166
Long term Liabilities	<u>4,085,079</u>
Adjusted Governmental Activities Net Assets June 30, 2007	<u>\$ 6,436,792</u>

In fiscal year 2008, the District's Title I Fund did not meet the major fund reporting criteria outlined in Governmental Accounting Standards Board (GASB) Statement No. 34. Since the Title I Fund is not expected to meet the minimum criteria in future periods, the District has elected to reclassify the Title I Fund as an Other Governmental Fund. The fund balance of \$73,093 will be added to the other governmental fund balance for a total other governmental beginning fund balance of \$1,258,244.

The net assets of the internal service fund were restated from (\$3,901) to \$352,265 based upon the elimination of claims payable totaling \$356,166 at June 30, 2007.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 4 – Accountability and Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Note 5 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$782,469 for the general fund.

**Note 6 – Deposits and Investments**

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 6 – Deposits and Investments** (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$900,000 of the District's bank balance of \$1,151,616 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
Cash Management Account	<u>\$ 6,275,000</u>	<u>100%</u>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk.** The Cash Management Account is a high yield savings account and is unrated. Investment Maturity Fair 6 Months Investment Type Value or Less Cash Management Account \$6,275,000.



New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 6 – Deposits and Investments** (continued)

**Concentration of Credit Risk.** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2008:

Investment Type	Fair Value	Percent of Total
Cash Management Account	\$ 6,275,000	100%

**Reconciliation of Cash and Investment to the Statement of Net Assets**

Investment (summarized above)	\$ 6,275,000
Carrying amount of the District deposits	829,047
Cash and cash equivalents - Statement of Fiduciary Net Assets	<u>(57,051)</u>
Cash and cash equivalents - Governmental Activities	<u>\$ 7,046,996</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007.

The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2008 was 6.5 percent and will be zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 7 - Property Taxes** (continued)

Payments 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 semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Perry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second - Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$113,203,560	88.25%	\$115,788,100	93.37%
Public Utility Tangible Personal Property	7,510,890	5.86%	6,508,360	5.25%
Tangible Personal Property	<u>7,559,970</u>	<u>5.89%</u>	<u>1,714,120</u>	<u>1.38%</u>
Total Assessed Value	<u>\$128,274,420</u>	<u>100.00%</u>	<u>\$124,010,580</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.97		\$35.97	

**Note 8 - Risk Management**

**A. Workers' Compensation**

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 8 - Risk Management (continued)**

**B. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Real Property	\$ 1,000	\$ 45,481,476
General Liability:		
Per Occurance	-	1,000,000
Annual Aggregate	-	3,000,000
Boiler and Machinery	2,500	14,900,000
Electronic Equipment	500	1,564,453
Vehicles:		
Bodily Injury:		
Per Person	-	2,000,000
Per Accident	-	2,000,000
Property Damage	-	2,000,000
Uninsured Motorist:		
Per Person	-	250,000
Per Accident	-	250,000

**C. Employee Medical Benefits**

Medical/surgical, prescription drug, vision, and dental insurance are offered to employees through a self-insurance Internal Service Fund. Aggregate stop-loss claims are covered based on 125 percent of expected claims per year. After that, stop-loss covers up to a lifetime maximum of \$1,000,000 per individual. Settled claims have not exceeded this coverage in any of the past three fiscal years.

During the fiscal year ended June 30, 2008, employees of the District were covered by the District's medical/surgical and dental self-insurance Plan (the "Plan"). The District contributed approximately 90% per month per employee to the Plan and employees authorized payroll withholdings to pay their share of the premium which was approximately 10% per month. The total premiums paid into the internal service fund of the District were \$3,149,709 of which the District paid \$2,834,738 while the employees were responsible for the remaining portion.

	<u>2008</u>	<u>2007 (Restated)</u>
Cash and Cash Equivalents	\$632,712	\$352,265
Claims liabilities at June 30	\$515,674	\$ 356,166

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 9 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$302,421, \$299,856, and \$284,736, respectively.

**B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 9 - Defined Benefit Pension Plans (continued)**

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,048,680, \$1,040,544, and \$993,192 respectively.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have the option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 10 – Post-Employment Benefits**

**School Employees Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care, including the surcharge, for the fiscal years ended June 30, 2008, 2007, and 2006 were \$71,717, \$102,658, and \$98,471 respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008 were \$13,870.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 10 – Post-Employment Benefits (continued)**

**State Teachers Retirement System**

**Plan Description** – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$74,905, \$74,325, and \$70,942 respectively.

**Note 11 - General Long-Term Obligations**

The changes in the District’s long-term obligations during the fiscal year 2008 were as follows:

	<u>Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2008</u>	<u>Due in One Year</u>
Government Activities					
General Obligation Bonds:					
Classroom Facilities					
Bonds - 3.45%, 5.375%	\$ 2,920,000	\$ -	\$ 2,645,000	\$ 275,000	\$ 135,000
Series 2008 Refunding					
Bonds- 4%-4.40%	-	2,514,996	-	2,514,996	20,000
Capital Leases	112,699	-	41,306	71,393	44,197
	<u>\$ 3,032,699</u>	<u>\$ 2,514,996</u>	<u>\$ 2,686,306</u>	<u>\$ 2,861,389</u>	<u>\$ 199,197</u>

**Classroom Facilities General Obligation Bonds** – On July 1, 1999, the District issued \$3,873,000 in voted general obligation bonds for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities. The bonds were issued for a 23 year period with final maturity at December 1, 2021. The bonds will be retired from the Bond Retirement Debt Service Fund. Due to the issuance of refunding bonds, \$2,515,000 of these bonds were paid off during the fiscal year.

**School Improvement Bonds** – On October 16, 2007, the District issued \$2,514,996 of general obligation bonds with interest rates with interest rates from 4% to 4.4% to refund the Classroom Facilities Bonds. The payment to the escrow agent results in the removal of the obligation for the Classroom Facilities Bonds.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 11 - General Long-Term Obligations (continued)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	<b>General Obligation Bonds</b>					
	Classroom Facilities Bonds			Series 2008 Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 135,000	\$ 18,186	\$ 153,186	\$ 20,000	\$ 246,186	\$ 266,186
2010	140,000	7,490	147,490	35,000	239,390	274,390
2011	-	-	-	190,000	87,400	277,400
2012	-	-	-	200,000	79,600	279,600
2013	-	-	-	205,000	71,500	276,500
2014-2018	-	-	-	1,155,000	225,100	1,380,100
2019-2022	-	-	-	709,996	408,004	1,118,000
<b>Total</b>	<b>\$ 275,000</b>	<b>\$ 25,676</b>	<b>\$ 300,676</b>	<b>\$ 2,514,996</b>	<b>\$ 1,357,180</b>	<b>\$ 3,872,176</b>

**Note 12 – Capital Leases**

Capital lease obligations relate to copier equipment which is leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service expenditures on the fund financial statements in the General Fund. These expenditures are reflected as instruction – regular and support services – administration on the budgetary basis in the General Fund. The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Ending June 30	Amount
2009	\$ 47,676
2010	27,812
Total Minimum Lease Payments	75,488
Less: Amount Representing Interest	(4,095)
Present Value of Minimum Lease Payments	<b>\$ 71,393</b>

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 13 - Set Aside Requirements**

The 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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In addition, though no longer required, the District opted to designate money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements, and the budget stabilization designation, during fiscal year 2008.

	Textbooks/ Instructional Materials	Capital Maintenance	Budget Stabilization Designated
Set-aside cash balance as of June 30, 2007	\$ 155,115	\$ (744,785)	\$ 448,166
Current year set-aside requirements	297,132	297,132	-
Qualifying off-sets	-	(158,117)	-
Qualifying Disbursements	(315,716)	(210,741)	(125,000)
District Contribution	-	-	186,000
<b>Total</b>	<b>\$ 136,531</b>	<b>\$ (816,511)</b>	<b>\$ 509,166</b>
Set-aside balance carried forward to FY 2009	<u>\$ 136,531</u>	<u>\$ -</u>	<u>\$ 509,166</u>

Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the District opted to designate funds to offset any budget deficit the District may experience in future fiscal years.

The District had qualifying disbursements during the fiscal year that did not reduce the set-aside amount to zero for the Textbooks/Instructional Materials Reserve; this amount has been carried forward to increase the set-aside requirement for future fiscal years. Therefore, this amount is being reported as restricted for Textbooks on the District's financial statements. The District had qualifying disbursements during the year that reduced the set aside amounts below zero for the Capital Maintenance Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years.



New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 14 – Contingent Liabilities**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 District at June 30, 2008.

**B. Litigation**

As of June 30, 2008, the District was a party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**Note 15 - Jointly Governed Organizations**

**A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid the SEOVEC \$29,539 for services provided during the fiscal year. To obtain financial information, write to the Southeast Ohio Voluntary Education Consortium, Bobbie Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45710.

**B. Tri-County Joint Vocational School District**

Tri-County Joint Vocational School District is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven appointed representatives from the eight participating school districts. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Tri-County Joint Vocational School, Laura F. Carney, CPA, Treasurer, at 15676 State Route 691, Nelsonville, Ohio 45764.

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

The Coalition of Rural and Appalachian Schools (the "Coalition") consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or a financial responsibility for the Coalition. The District paid the Coalition of Rural and Appalachian Schools \$600 for services provided during the fiscal year.

New Lexington City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 15 - Jointly Governed Organizations** (continued)

**D. Southeastern Ohio Special Education Regional Resource Council**

The Southeastern Ohio Special Education Regional Resource Council (the "Council") provides special education services at a regional level and assists school districts in complying with mandates for educating children with disabilities. The District has a cooperative agency agreement with the Council. The Council is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or a financial responsibility for the Council.

**Note 16 – Insurance Purchasing Pools**

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

**Note 17 – State School Funding**

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

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

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass thru Grantor/ Program Title	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Food Donation	10.550	\$ -	\$ 91,559	\$ -	\$ 91,559
<i>Child Nutrition Cluster:</i>					
School Breakfast Program	10.553	160,218	-	160,218	-
National School Lunch Program	10.555	394,957	-	394,957	-
Summer Food Service Program for Children	10.559	35,795	-	35,795	-
<i>Total Child Nutrition Cluster</i>		<u>590,970</u>	<u>91,559</u>	<u>590,970</u>	<u>91,559</u>
Fresh Fruit and Vegetable Program	10.582	31,096	-	31,096	-
<b>Total U.S. Department of Agriculture</b>		<u>622,066</u>	<u>91,559</u>	<u>622,066</u>	<u>91,559</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education-Grants to States	84.027	564,093	-	570,120	-
Special Education-Preschool Grants	84.173	-	8,206	-	8,206
<i>Total Special Education Cluster</i>		<u>564,093</u>	<u>8,206</u>	<u>570,120</u>	<u>8,206</u>
Title I Grants to Local Educational Agencies	84.010	480,272	-	517,438	-
Safe and Drug Free Schools and Communities-State Grants	84.186	11,249	-	11,249	-
State Grants for Innovative Programs	84.298	3,204	-	3,204	-
Education Technology State Grants	84.318	5,245	-	5,245	-
Reading First State Grants	84.357	709,376	-	652,762	-
Rural Education	84.358	31,573	-	31,487	-
Improving Teacher Quality State Grants	84.367	217,363	-	244,247	-
<b>Total U.S. Department of Education</b>		<u>2,022,375</u>	<u>8,206</u>	<u>2,035,752</u>	<u>8,206</u>
<b>TOTAL FEDERAL ASSISTANCE</b>		<u>\$ 2,644,441</u>	<u>\$ 99,765</u>	<u>\$ 2,657,818</u>	<u>\$ 99,765</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the accompanying Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.

The District uses the services of DJ Co-ops to hold, process, and deliver its federal commodities at a nominal rate.

**NOTE C – NONCASH AWARDS**

The District had the following federal cash receipts and cash disbursements which were received and disbursed by the Perry-Hocking Educational Service Center on behalf of the District for fiscal year 2008:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$ 8,206	\$ 8,206

**NOTE D – REFUNDS**

The District refunded \$36,308 in Reading First State Grants (C.F.D.A. 84.357) money to the Ohio Department of Education since the District was unable to expend the money during the period of availability. For presentation on the Schedule, the refund is presented as a reduction of federal cash receipts.



**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Required by Government Auditing Standards**

Board of Education  
New Lexington City School District  
101 Third Avenue  
New Lexington, Ohio 43764

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2008, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles as described in Note 2. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
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New Lexington City School District  
Perry County  
Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance Required  
by *Government Auditing Standards*  
Page 2

We consider the following deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2008-001.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 12, 2008



**Independent Auditors' Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

Board of Education  
New Lexington City School District  
101 Third Avenue  
New Lexington, Ohio 43764

**Compliance**

We have audited the compliance of the New Lexington City School District, Perry County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2008. The summary of auditors' results section of the accompanying schedule of findings and responses identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grant applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the New Lexington City School District, Perry County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2008.

*Wilson, Shannon & Snow, Inc.*

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**Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weaknesses is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Wilson, Sherman & Snow, Inc.*

Newark, Ohio  
November 12, 2008



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2008**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I \ CFDA #84.010 & Title II-A \ CFDA #84.367 Special Education Cluster: Special Education Grants to States CFDA #84.027, Special Education Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 §.505

JUNE 30, 2008

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

Finding Number	2008-001
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Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles.

The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District file its annual report in accordance with accounting principles generally accepted in the United States of America. The District may find the information contained within the GAAP financial statements to be helpful in future projections and budgeting funds.

**Officials Response:** The District will continue to prepare the financial statements in accordance with the GASB 34 format on the modified cash basis of accounting and not in accordance with GAAP.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2007-1	Financial reporting	Yes	N/A.
2007-2	Ohio Revised Code Section 5705.36(A)(2) increasing estimated resources.	Yes	N/A.
2007-3	Ohio Revised Code Section 5705.39 appropriations exceeding estimated resources.	Yes	N/A.





**Mary Taylor, CPA**  
Auditor of State

**NEW LEXINGTON CITY SCHOOL DISTRICT**

**PERRY 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  
JANUARY 13, 2009**