



Mary Taylor, CPA  
Auditor of State



**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

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LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Lynchburg-Clay Local School District  
Highland County  
301 East Pearl Street  
Lynchburg, Ohio 45142

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio (the District), as of and for the 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Food Service funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2009, 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 11, 2009

**Lynchburg Clay Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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As management of the Lynchburg Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

**Financial Highlights**

- The assets of the Lynchburg Clay Local School District exceeded its liabilities at June 30, 2008 by \$26,466,553. Of this amount, \$6,025,941 may be used to meet the School District's ongoing financial obligations. The remaining amounts represent capital assets net of related debt and net assets restricted for specific purposes.
- The School District's net assets decreased by \$208,241 during this fiscal year's operations.
- General revenues accounted for \$9,917,385 or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$2,350,432 or 19 percent of total revenues of \$12,267,817.
- The School District had \$12,476,058 in expenses related to governmental activities; only \$2,350,432 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

**Using the Basic Financial Statements**

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Lynchburg Clay Local School District are the General Fund, the Food Service Fund and the Debt Service Fund.

**Lynchburg Clay Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2008?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

### **Fund Financial Statements**

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

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



**Lynchburg Clay Local School District**  
Management's Discussion and Analysis  
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Unaudited

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**Proprietary Fund** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The Internal Service Fund is used to account for the dental and vision benefits provided to employees, the final payout of claims for medical benefits in relation to the self insurance program that the School District operated prior to 2007 and the collection and payment of premiums for medical insurance to the insurance purchasing pool.

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007:

(Table 1)  
Net Assets  
Governmental Activities

	2008	2007	Change in Net Assets
<b>Assets</b>			
Current and Other Assets	\$11,190,048	\$10,558,385	\$631,663
Capital Assets, Net	20,749,168	21,311,335	(562,167)
Total Assets	31,939,216	31,869,720	69,496
<b>Liabilities</b>			
Other Liabilities	3,421,795	3,080,716	341,079
Long-Term Liabilities	2,050,868	2,114,210	(63,342)
Total Liabilities	5,472,663	5,194,926	277,737
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	19,118,604	19,589,731	(471,127)
Restricted	1,322,008	1,391,294	(69,286)
Unrestricted	6,025,941	5,693,769	332,172
Total Net Assets	\$26,466,553	\$26,674,794	(\$208,241)

**Lynchburg Clay Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**  
**Unaudited**

Table 1 is a comparison of governmental activities as of June 30, 2008 and 2007. Total net assets decreased by \$208,241. Equity in Pooled Cash and Cash Equivalents increased \$422,076, due mainly to increases in State and federal funding and tuition and fees. Capital assets decreased due to current year depreciation of \$945,064 exceeding additions. Property taxes increased \$205,429 due to new construction and a larger real estate tax advance in July and August of 2008, compared to July and August of 2007. In addition, collections in public utilities personal property taxes were larger in fiscal year 2008 compared to fiscal year 2007. Long-term liabilities decreased by \$63,342, primarily due to the payment of long-term debt obligations. Other liabilities increased \$341,079, due partially to additional severance payments of \$54,530 in fiscal year 2008 compared to fiscal year 2007. The School District purchased a Risograph in the amount of \$6,500 and spent \$81,350 on new computers in fiscal year 2008. The bus mechanic was off work for four months with surgery, resulting in additional contracted services of \$10,976. July and August 2008 wages were three percent higher, and insurance was 8.75 percent higher compared to July and August 2007.

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

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as State foundation support, interest and miscellaneous.

(Table 2)  
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,001,109	\$969,233	\$31,876
Operating Grants, Contributions and Interest	1,369,633	1,198,937	170,696
Capital Grants and Contributions	20,475	25,000	(4,525)
Total Program Revenues	2,391,217	2,193,170	198,047
General Revenues:			
Property Taxes	1,867,272	1,833,106	34,166
Grants and Entitlements not Restricted to Specific Programs	7,518,436	7,531,172	(12,736)
Gifts and Donations	19,144	2,201	16,943
Interest	405,296	332,116	73,180
Miscellaneous	66,452	89,509	(23,057)
Total General Revenues	9,876,600	9,788,104	88,496
Total Revenues	\$12,267,817	\$11,981,274	\$286,543

(Continued)

**Lynchburg Clay Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**  
**Unaudited**

(Table 2)  
**Changes in Net Assets**  
(Continued)

	Governmental Activities 2008	Governmental Activities 2007	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$5,570,840	\$5,455,741	\$115,099
Special	1,221,315	1,038,646	182,669
Vocational	209,065	252,466	(43,401)
Student Intervention Services	57,606	54,361	3,245
Support Services:			
Pupils	408,056	390,193	17,863
Instructional Staff	509,436	446,490	62,946
Board of Education	34,051	31,838	2,213
Administration	1,124,475	974,382	150,093
Fiscal	299,143	256,448	42,695
Business	43,917	35,059	8,858
Operation and Maintenance of Plant	1,193,606	1,124,770	68,836
Pupil Transportation	918,604	835,133	83,471
Central	11,172	12,071	(899)
Operation of Non-Instructional Services:			
Food Services	615,513	555,760	59,753
Other	1,477	1,513	(36)
Extracurricular Activities	171,792	176,630	(4,838)
Interest and Fiscal Charges	85,990	90,033	(4,043)
<b>Total Expenses</b>	<b>12,476,058</b>	<b>11,731,534</b>	<b>744,524</b>
Increase / (Decrease) in Net Assets	(208,241)	249,740	(457,981)
Net Assets at Beginning of Year	26,674,794	26,425,054	249,740
Net Assets at End of Year	<u>\$26,466,553</u>	<u>\$26,674,794</u>	<u>(\$208,241)</u>

Operating grants, contributions and interest increased \$129,911. The School District had a more talented boys and girls basketball squad in fiscal year 2008 compared to fiscal year 2007, resulting in an increase in revenues from admissions and concessions of \$11,444. The School District has been adding new selections to the middle and high school lunchroom. The middle school added a new breakfast program in fiscal year 2008. Participation receipts were up in fiscal year 2008 plus increases in free and reduced lunch and breakfast reimbursements in all three buildings. This accounted for an \$81,982 fiscal year 2008 increase.

**Lynchburg Clay Local School District**  
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Interest increased \$73,180 due to a higher average rate of return on investments. Investments in fiscal year 2008 increased by approximately \$1,000,000 compared to fiscal year 2007.

Regular instruction expenses increased \$115,099 due to a combination of base salary increases along with step salary increases. Step increases are occurring more frequently as new teachers are required to obtain a masters degree within a certain period of time after being hired.

As a result of State mandates, special instruction expenses increased \$182,669. This was the result of additional special aide attendants and aides and acquiring an in-house multi-handicapped unit at the School District during the fiscal year 2008 school year. In addition, the School District gave a three percent raise and step increases to special instruction staff during fiscal year 2008.

Administration expenses increased \$150,093, due to a three percent raise and step increases. In fiscal year 2008 the Board approved an increase to the Treasurer's salary schedule, and increased retirement. An 8.75 percent increase in insurance resulted in additional expenses of \$40,000 per year. The timing of year-end supply orders in fiscal year 2007 versus fiscal year 2008, created a \$44,500 variance between the years and an increase in 2008 tax collections resulted in an \$11,000 additional expense in auditor and treasurer fees.

**Governmental Activities**

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

(Table 3)  
 Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$7,058,826	(\$5,572,516)	\$6,801,214	(\$5,308,057)
Support Services	4,542,460	(4,330,874)	4,106,384	(3,953,467)
Operation of Non-				
Instructional Services	616,990	(68,774)	557,273	(99,614)
Extracurricular Activities	171,792	(67,472)	176,630	(87,193)
Interest and Fiscal Charges	85,990	(85,990)	90,033	(90,033)
<b>Total Expenses</b>	<b>\$12,476,058</b>	<b>(\$10,125,626)</b>	<b>\$11,731,534</b>	<b>(\$9,538,364)</b>

*Lynchburg Clay Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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**The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,295,229 and expenditures of \$11,947,804. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of \$387,552. This was due mainly to an increase in intergovernmental revenues and interest, offset by slight increases in expenditures.

The Food Service Fund had an increase in fund balance of \$29,516.

The Debt Service Fund saw an increase in fund balance of \$7,648.

**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 20, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

For the General Fund, original budgeted revenues were \$10,069,496 and final budgeted revenues were \$10,069,498. Final budgeted revenues were \$625,926 less than actual.

Original and final budgeted expenditures were \$10,903,384. The actual budget basis expenditures were \$10,484,611. The majority of the difference between budgeted and actual expenditures of \$418,773, was the result of lower spending of \$166,542 in regular instruction and \$305,433 in operation and maintenance of plant.

**Capital Assets and Debt Administration**

***Capital Assets***

The Lynchburg Clay Local School District's investment in capital assets as of June 30, 2008 was \$20,749,168. This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures and equipment, vehicles and books and educational media. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

**Lynchburg Clay Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**  
**Unaudited**

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

	2008	2007	Change
Land	\$405,668	\$405,668	\$0
Construction in Progress	0	102,882	(102,882)
Land Improvements	1,413,207	1,480,863	(67,656)
Buildings and Building Improvements	17,695,213	18,062,002	(366,789)
Furniture, Fixtures and Equipment	890,591	888,030	2,561
Vehicles	301,541	366,285	(64,744)
Books and Educational Media	42,948	5,605	37,343
<b>Totals</b>	<b>\$20,749,168</b>	<b>\$21,311,335</b>	<b>(\$562,167)</b>

Net capital assets decreased \$562,167 from the prior fiscal year.

For more information on capital assets, refer to the note 8 to the basic financial statements.

***Debt***

At June 30, 2008 the School District had \$1,630,000 in bonds outstanding, with \$90,000 due within one year. Table 5 summarizes bonds outstanding:

(Table 5)  
**Outstanding Debt, at Fiscal Year-end**  
**Governmental Activities**

	2008	2007
General Obligation Bonds:		
1998 - School Improvement Bonds	\$1,630,000	\$1,720,000

**School Improvement Bonds**

In July, 1998, the School District issued \$2,330,600 in voted general obligation bonds for the construction of a new elementary school, a new high school and renovations to the old high school building to be used as a middle school. The bonds were issued for a twenty-three year period with final maturity in fiscal year 2022.

The School District's voted legal debt margin was \$7,178,860 with an unvoted debt margin of \$89,637 at June 30, 2008.

For more information on debt, refer to the note 14 to the basic financial statements.

*Lynchburg Clay Local School District*  
Management's Discussion and Analysis  
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Unaudited

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**District Challenges for the Future**

Lynchburg Clay Local School District's financial status continues to be healthy and appears stable for the next four fiscal years. While the School District continues to maintain a healthy cash balance, our projection shows our expenditures will exceed our revenues in fiscal year 2010. Therefore, certain measures are being taken to make sure this does not continue for an extended period of time.

Lynchburg Clay Local School District is heavily dependent on State funding; approximately 73 percent of its funding is received through the State foundation program.

While the Ohio Supreme Court ruled in March of 1997 that Ohio's funding of public schools is unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found that the State legislature has not adequately responded to the specifics of the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system. The temporary solution to this problem is funding through parity aid, which is now considered unrestricted monies.

The slow State and national economy is also causing financial difficulty for the Lynchburg Clay Local School District and schools throughout the State and the nation. The Governor of Ohio is currently dealing with poor economic conditions in our State and is outlining a plan for a new round of State cuts in funding. Unless Ohio's economy takes a positive turn, the funding for Ohio's public schools may not be sufficient to finance educational programs necessary for our students. Although the State has made budget cuts to other entities, the public schools have been exempt from these cuts. This however may not be possible in the future.

The projection of student enrollment is another issue that is hard to forecast. During the last several years, School District enrollment has shown a slight increase. Housing continues to increase in the School District. However, a significant increase in enrollment during the next several years is not expected. We feel this is due to the loss of area jobs from various companies, most significantly the closure of DHL shipping in Clinton County.

In schools, as in any other business, funding is always a major concern. Since schools are dependent on local and State taxes for a portion of their funding, it is important that the State legislature and governor make school funding a priority. The lack of appropriate State response to the DeRolph school funding lawsuit, the poor local, State and national economy, the various student educational options, the cost of implementing the No Child Left Behind Program, the various student educational options and student enrollment projections all contribute to the difficult task of establishing financial projections for our School District.

Lynchburg Clay Local School District continues to utilize and demonstrate fiscal responsibility by adopting balanced budgets and not overspending the budgets. The Board and administrators are hopeful that public funding in Ohio is a priority for Ohio's political leaders and will permit Lynchburg Clay Local School District to continue to provide a quality education for our students.

*Lynchburg Clay Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Richard Hawk, Treasurer, at Lynchburg Clay Local School District, 301 East Pearl Street, P.O Box 515, Lynchburg, Ohio 45142.



**Lynchburg Clay Local School District**

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$8,969,358
Cash and Cash Equivalents With Fiscal Agents	10,439
Accrued Interest Receivable	67,838
Accounts Receivable	62
Inventory Held for Resale	1,259
Materials and Supplies Inventory	757
Intergovernmental Receivable	123,975
Property Taxes Receivable	2,016,360
Capital Assets:	
Land	405,668
Depreciable Capital Assets, Net	<u>20,343,500</u>
<i>Total Assets</i>	<u>31,939,216</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	95,455
Accrued Wages and Benefits Payable	903,283
Intergovernmental Payable	342,452
Deferred Revenue	1,955,480
Matured Compensated Absences Payable	95,332
Accrued Interest Payable	7,015
Claims Payable	22,778
Long-Term Liabilities:	
Due Within One Year	135,400
Due in More Than One Year	<u>1,915,468</u>
<i>Total Liabilities</i>	<u>5,472,663</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	19,118,604
Restricted for:	
Capital Projects	52,484
Debt Service	736,088
Set-Asides	30,409
Other Purposes	503,027
Unrestricted	<u>6,025,941</u>
<i>Total Net Assets</i>	<u>\$26,466,553</u>

See accompanying notes to the basic financial statements

**Lynchburg Clay Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>
<b><u>Governmental Activities:</u></b>			
Instruction:			
Regular	\$5,570,840	\$492,210	\$76,394
Special	1,221,315	88,068	755,839
Vocational	209,065	18,204	55,595
Student Intervention Services	57,606	0	0
Support Services:			
Pupils	408,056	0	57,331
Instructional Staff	509,436	0	79,165
Board of Education	34,051	0	0
Administration	1,124,475	1,200	36,349
Fiscal	299,143	0	0
Business	43,917	0	0
Operation and Maintenance of Plant	1,193,606	2,407	49,785
Pupil Transportation	918,604	0	21,134
Central	11,172	0	5,000
Operation of Non-Instructional Services:			
Food Services	615,513	316,515	231,701
Other	1,477	0	0
Extracurricular Activities	171,792	82,505	1,340
Interest and Fiscal Charges	85,990	0	0
<b><i>Total Governmental Activities</i></b>	<b><u>\$12,476,058</u></b>	<b><u>\$1,001,109</u></b>	<b><u>\$1,369,633</u></b>

**General Revenues:**

Property Taxes Levied for:  
    General Purposes  
    Debt Service  
    Capital Outlay  
Grants and Entitlements not  
    Restricted to Specific Programs  
Gifts and Donations  
Interest  
Miscellaneous

*Total General Revenues*

*Change in Net Assets*

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements

	Net (Expense) Revenue and Changes in Net Assets
Capital Grants and Contributions	Governmental Activities
\$0	(\$5,002,236)
0	(377,408)
0	(135,266)
0	(57,606)
0	(350,725)
0	(430,271)
0	(34,051)
0	(1,086,926)
0	(299,143)
0	(43,917)
0	(1,141,414)
0	(897,470)
0	(6,172)
0	(67,297)
0	(1,477)
20,475	(67,472)
0	(85,990)
\$20,475	(10,084,841)

1,665,054
164,253
37,965
7,518,436
19,144
405,296
66,452
9,876,600
(208,241)
26,674,794
\$26,466,553

**Lynchburg Clay Local School District**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2008

	General	Food Service	Debt Service	All Other Governmental	Total Governmental
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$7,427,430	\$54,558	\$737,706	\$553,938	\$8,773,632
Inventory Held for Resale	0	1,259	0	0	1,259
Materials and Supplies Inventory	0	757	0	0	757
Accrued Interest Receivable	67,838	0	0	0	67,838
Accounts Receivable	62	0	0	0	62
Interfund Receivable	22,347	0	0	0	22,347
Intergovernmental Receivable	334	22,044	0	101,597	123,975
Property Taxes Receivable	1,805,145	0	171,255	39,960	2,016,360
Advances to Other Funds	31,938	0	0	0	31,938
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	70,999	0	0	0	70,999
<b>Total Assets</b>	<b>\$9,426,093</b>	<b>\$78,618</b>	<b>\$908,961</b>	<b>\$695,495</b>	<b>\$11,109,167</b>
<b><u>Liabilities:</u></b>					
Accounts Payable	\$87,557	\$1,097	\$0	\$6,801	\$95,455
Accrued Wages and Benefits Payable	832,980	28,133	0	42,170	903,283
Matured Compensated Absences Payable	94,397	935	0	0	95,332
Interfund Payable	0	0	0	22,347	22,347
Intergovernmental Payable	310,100	15,485	0	16,867	342,452
Advances from Other Funds	0	31,938	0	0	31,938
Deferred Revenue	1,791,149	0	167,390	64,690	2,023,229
<b>Total Liabilities</b>	<b>3,116,183</b>	<b>77,588</b>	<b>167,390</b>	<b>152,875</b>	<b>3,514,036</b>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	109,327	486	0	35,850	145,663
Reserved for Advances	31,938	0	0	0	31,938
Reserved for Property Taxes	38,699	0	3,865	885	43,449
Reserved for Budget Stabilization	30,409	0	0	0	30,409
Reserved for Bus Purchases	40,590	0	0	0	40,590
Unreserved:					
Undesignated, Reported in:					
General Fund	6,058,947	0	0	0	6,058,947
Special Revenue Funds	0	544	0	498,221	498,765
Debt Service Fund	0	0	737,706	0	737,706
Capital Projects Funds	0	0	0	7,664	7,664
<b>Total Fund Balances</b>	<b>6,309,910</b>	<b>1,030</b>	<b>741,571</b>	<b>542,620</b>	<b>7,595,131</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,426,093</b>	<b>\$78,618</b>	<b>\$908,961</b>	<b>\$695,495</b>	<b>\$11,109,167</b>

See accompanying notes to the basic financial statements

**Lynchburg Clay Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008

**Total Governmental Fund Balances** \$7,595,131

***Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:***

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

Land	405,668	
Other Capital Assets	31,840,272	
Accumulated depreciation	<u>(11,496,772)</u>	
Total capital assets		20,749,168

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

Delinquent property taxes	17,461	
Interest	24,703	
Intergovernmental	<u>25,585</u>	
		67,749

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. 112,388

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

Bonds payable	(1,630,000)	
Accrued interest on bonds	(7,015)	
Capital leases	(564)	
Compensated absences	<u>(420,304)</u>	
		<u>(2,057,883)</u>

**Net Assets of Governmental Activities** \$26,466,553

See accompanying notes to the basic financial statements

**Lynchburg Clay Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	Food Service	Debt Service	All Other Governmental	Total Governmental
<b><u>Revenues:</u></b>					
Property Taxes	\$1,691,132	\$0	\$166,805	\$38,560	\$1,896,497
Intergovernmental	8,011,074	231,701	22,477	591,132	8,856,384
Interest	393,043	0	0	0	393,043
Tuition and Fees	597,879	0	0	2,036	599,915
Rent	2,174	0	0	0	2,174
Extracurricular Activities	0	0	0	82,505	82,505
Gifts and Donations	8,101	0	0	32,858	40,959
Customer Sales and Services	0	316,515	0	0	316,515
Miscellaneous	45,880	787	0	19,785	66,452
<b>Total Revenues</b>	<b>10,749,283</b>	<b>549,003</b>	<b>189,282</b>	<b>766,876</b>	<b>12,254,444</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	5,011,970	0	0	104,129	5,116,099
Special	896,658	0	0	276,045	1,172,703
Vocational	185,627	0	0	0	185,627
Student Intervention Services	57,606	0	0	0	57,606
Support Services:					
Pupils	330,486	0	0	59,067	389,553
Instructional Staff	410,641	0	0	80,348	490,989
Board of Education	34,028	0	0	0	34,028
Administration	985,296	0	0	59,989	1,045,285
Fiscal	288,284	0	5,425	1,258	294,967
Business	37,937	0	0	5,980	43,917
Operation and Maintenance of Plant	1,188,525	2,029	0	53,529	1,244,083
Pupil Transportation	835,431	0	0	0	835,431
Central	5,080	0	0	5,000	10,080
Operation of Non-Instructional Services:					
Food Services	665	517,458	0	0	518,123
Other	1,477	0	0	0	1,477
Extracurricular Activities	106,645	0	0	68,529	175,174
Capital Outlay	0	0	0	155,294	155,294
Debt Service:					
Principal Retirement	1,040	0	90,000	0	91,040
Interest and Fiscal Charges	119	0	86,209	0	86,328
<b>Total Expenditures</b>	<b>10,377,515</b>	<b>519,487</b>	<b>181,634</b>	<b>869,168</b>	<b>11,947,804</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>371,768</b>	<b>29,516</b>	<b>7,648</b>	<b>(102,292)</b>	<b>306,640</b>
<b><u>Other Financing Sources (Uses):</u></b>					
Transfers In	0	0	0	25,001	25,001
Insurance Recoveries	40,785	0	0	0	40,785
Transfers Out	(25,001)	0	0	0	(25,001)
<b>Total Other Financing Sources (Uses)</b>	<b>15,784</b>	<b>0</b>	<b>0</b>	<b>25,001</b>	<b>40,785</b>
<b>Net Change in Fund Balances</b>	<b>387,552</b>	<b>29,516</b>	<b>7,648</b>	<b>(77,291)</b>	<b>347,425</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>5,922,358</b>	<b>(28,486)</b>	<b>733,923</b>	<b>619,911</b>	<b>7,247,706</b>
<b>Fund Balances at End of Year</b>	<b>\$6,309,910</b>	<b>\$1,030</b>	<b>\$741,571</b>	<b>\$542,620</b>	<b>\$7,595,131</b>

See accompanying notes to the basic financial statements

**Lynchburg Clay Local School District**  
 Reconciliation of the Change in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

**Net Change in Fund Balances - Total Governmental Funds** \$347,425

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

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

Capital asset additions	384,307	
Depreciation expense	<u>(945,064)</u>	
Excess of capital outlay under depreciation expense		(560,757)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Loss on disposal of capital assets		(1,410)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(29,225)	
Interest	11,573	
Intergovernmental	<u>(10,440)</u>	
		(28,092)

The internal service fund used by management to charge the costs of insurance to individual funds is reported in the entity-wide Statement of Activities (29,087)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, this amount consisted of:

Bond payments	90,000	
Capital lease payments	<u>1,040</u>	
Total long-term debt repayment		91,040

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:

Decrease in accrued interest		338
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable		<u>(27,698)</u>
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**Change in Net Assets of Governmental Activities** (\$208,241)

See accompanying notes to the basic financial statements

**Lynchburg Clay Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>				
Property Taxes	\$1,779,950	\$1,819,037	\$1,700,863	(\$118,174)
Intergovernmental	7,423,274	7,388,273	8,010,740	622,467
Interest	248,325	247,154	323,648	76,494
Tuition and Fees	591,240	588,452	597,879	9,427
Rent	926	922	4,375	3,453
Gifts and Donations	2,139	2,129	8,101	5,972
Miscellaneous	23,642	23,531	49,818	26,287
<i>Total Revenues</i>	<u>10,069,496</u>	<u>10,069,498</u>	<u>10,695,424</u>	<u>625,926</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	5,173,947	5,192,671	5,026,129	166,542
Special	768,287	774,049	889,933	(115,884)
Vocational	201,518	201,701	192,546	9,155
Student Intervention Services	73,706	68,904	64,220	4,684
Support Services:				
Pupils	386,853	392,155	352,103	40,052
Instructional Staff	372,648	374,962	412,823	(37,861)
Board of Education	38,039	38,575	35,132	3,443
Administration	963,181	972,840	976,360	(3,520)
Fiscal	313,438	312,518	287,970	24,548
Business	112,616	39,000	41,411	(2,411)
Operation and Maintenance of Plant	1,530,046	1,552,482	1,247,049	305,433
Pupil Transportation	830,689	843,503	845,376	(1,873)
Central	4,924	5,000	5,080	(80)
Operation of Non-Instructional Services	2,295	2,330	2,142	188
Extracurricular Activities	116,425	117,694	106,337	11,357
Capital Outlay	14,772	15,000	0	15,000
<i>Total Expenditures</i>	<u>10,903,384</u>	<u>10,903,384</u>	<u>10,484,611</u>	<u>418,773</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(833,888)</u>	<u>(833,886)</u>	<u>210,813</u>	<u>1,044,699</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Insurance Recoveries	0	0	40,785	40,785
Transfers Out	(200,000)	(200,000)	(25,001)	174,999
Other Financing Uses	(1,488,500)	(1,488,500)	0	1,488,500
<i>Total Other Financing Sources (Uses)</i>	<u>(1,688,500)</u>	<u>(1,688,500)</u>	<u>15,784</u>	<u>1,704,284</u>
<i>Net Change in Fund Balance</i>	<u>(2,522,388)</u>	<u>(2,522,386)</u>	<u>226,597</u>	<u>2,748,983</u>
<i>Fund Balance at Beginning of Year</i>	<u>6,885,619</u>	<u>6,885,619</u>	<u>6,885,619</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>165,636</u>	<u>165,636</u>	<u>165,636</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$4,528,867</u>	<u>\$4,528,869</u>	<u>\$7,277,852</u>	<u>\$2,748,983</u>

See accompanying notes to the basic financial statements



**Lynchburg Clay Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Food Service Fund  
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues:</u></b>				
Intergovernmental	\$131,918	\$139,030	\$204,149	\$65,119
Customer Sales and Services	302,487	318,794	316,515	(2,279)
Miscellaneous	475	500	787	287
<i>Total Revenues</i>	<u>434,880</u>	<u>458,324</u>	<u>521,451</u>	<u>63,127</u>
<b><u>Expenditures:</u></b>				
Current:				
Support Services:				
Operation and Maintenance of Plant	3,219	3,375	2,029	1,346
Operation of Non-Instructional Services:				
Food Services	446,282	483,752	488,920	(5,168)
<i>Total Expenditures</i>	<u>449,501</u>	<u>487,127</u>	<u>490,949</u>	<u>(3,822)</u>
<i>Net Change in Fund Balance</i>	(14,621)	(28,803)	30,502	59,305
<i>Fund Balance at Beginning of Year</i>	11,822	11,822	11,822	0
<i>Prior Year Encumbrances Appropriated</i>	<u>8,493</u>	<u>8,493</u>	<u>8,493</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$5,694</u></u>	<u><u>(\$8,488)</u></u>	<u><u>\$50,817</u></u>	<u><u>\$59,305</u></u>

See accompanying notes to the basic financial statements

***Lynchburg Clay Local School District***

Statement of Fund Net Assets

Internal Service Fund

June 30, 2008

	<u>Self-Insurance</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$124,727
Cash and Cash Equivalents with Fiscal Agent	<u>10,439</u>
<i>Total Assets</i>	135,166
 <b><u>Liabilities</u></b>	
Claims Payable	<u>22,778</u>
 <b><u>Net Assets</u></b>	
Unrestricted	<u><u>\$112,388</u></u>

See accompanying notes to the basic financial statements

***Lynchburg Clay Local School District***  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Self-Insurance</u>
<b><u>Operating Revenues</u></b>	
Charges for Services	\$1,127,806
<b><u>Operating Expenses</u></b>	
Purchased Services	1,010,847
Claims	146,726
<i>Total Operating Expenses</i>	1,157,573
<i>Operating Loss</i>	(29,767)
<b><u>Non-Operating Revenues</u></b>	
Interest	680
	(29,087)
<i>Net Assets at Beginning of Year</i>	141,475
<i>Net Assets at End of Year</i>	\$112,388

See accompanying notes to the basic financial statements

*Lynchburg Clay Local School District*  
Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2008

	<u>Self-Insurance</u>
<i>Increase in Cash and Cash Equivalents</i>	
<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Interfund Services Provided	\$1,127,806
Cash Payments to Suppliers for Goods and Services	(1,010,847)
Cash Payments for Claims	<u>(138,744)</u>
<i>Net Cash Used for Operating Activities</i>	(21,785)
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Repayment of Loans from Other Governments	(58,329)
<b><u>Cash Flows from Investing Activities</u></b>	
Interest	<u>680</u>
<i>Decrease in Cash and Cash Equivalents</i>	(79,434)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>214,600</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$135,166</u></u>
<b>Reconciliation of Operating Loss to Net Cash</b>	
<b><u>Used for Operating Activities</u></b>	
Operating Loss	(\$29,767)
<b>Adjustments to Reconcile Operating Loss to</b>	
<b><u>Net Cash Used for Operating Activities</u></b>	
Increase in Claims Payable	<u>7,982</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$21,785)</u></u>

See accompanying notes to the basic financial statements

***Lynchburg Clay Local School District***  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

	Private Purpose Trust	
	Scholarship	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$153,812	\$39,373
<b><u>Liabilities:</u></b>		
Undistributed Monies	0	\$39,373
<b><u>Net Assets:</u></b>		
Held in Trust for Scholarships	\$153,812	

See accompanying notes to the basic financial statements

***Lynchburg Clay Local School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2008**

	Private Purpose Trust
	Scholarship
<b><u>Additions:</u></b>	
Interest	\$7,141
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	2,000
<i>Change in Net Assets</i>	5,141
<i>Net Assets at Beginning of Year</i>	148,671
<i>Net Assets at End of Year</i>	\$153,812

See accompanying notes to the basic financial statements

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

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

The School District was established in 1853. The School District serves an area of approximately 113 square miles. It is located in Highland, Clinton and Brown Counties, and includes all of the Villages of Lynchburg, Buford and Dodson and portions of Hamer, Union and White Oak Townships. It is staffed by 70 non-certificated employees, 89 certificated personnel and seven administrative employees who provide services to 1,386 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one garage.

**Reporting Entity**

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

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

The School District participates in two jointly governed organizations, two insurance purchasing pools and a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Great Oaks Institute of Technology and Career Development, the Brown County Schools Benefits Consortium, the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan and the Ross County School Employees Insurance Consortium. These organizations are presented in Notes 15, 16 and 17 to the basic financial statements.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

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



*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds

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

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

Food Service Fund - The Food Service Fund is used to account for financial transactions related to the School District's food service operations.

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

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund - Internal Service Funds account for the financing of services provided by one department or agency to the other departments or agencies of the School District. The Internal Service Fund is used to account for dental and vision benefits provided to employees, the final payout of claims for self-insured medical benefits incurred prior to 2007 and the collection and payment of premiums for medical insurance to the insurance purchasing pool.

Fiduciary Funds:

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

**C. Measurement Focus**

Government-wide Financial Statements

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenditures and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues-Exchange and Non-exchange Transactions

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

**E. Budgetary Process**

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

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

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2008, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), negotiable certificates of deposit, Federal Home Loan Bank Bonds, Federal Home Loan Bank Global Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corp. Medium Term Notes, and Federal National Mortgage Association Global Notes. Investments are reported at fair value which is based on quoted market price.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$393,043, which includes \$67,412 assigned from other School District funds.

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

**G. Inventory**

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

**H. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years
Books and Educational Media	6 years

**I. Interfund Balances**

On the fund financial statements, short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable.” Long-term interfund loan receivables and payables are reported as “Advances to Other Funds” and “Advances from Other Funds” and are equally offset by a fund balance reserve in the funds making the advances, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

**L. Internal Activity**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**M. 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 externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended revenues restricted for the purchase of buses and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.



*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures

**O. Net Assets**

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

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

The government-wide Statement of Net Assets reports \$1,322,008 of restricted net assets, none of which are restricted by enabling legislation.

**P. Estimates**

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 3 - ACCOUNTABILITY**

**A. Accountability**

At June 30, 2008, the Title I Special Revenue Fund had a deficit fund balance of \$9,058. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Food Service Special Revenue Fund had expenditures in excess of appropriations at the legal level of control for the fiscal year ended June 30, 2008 in the amount of \$3,822.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The change in fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

	Net Change in Fund Balance	
	General	Food Service
GAAP Basis	\$387,552	\$29,516
Adjustments:		
Revenue Accruals	35,136	(27,552)
Increase in Fair Market Value of Investments Fiscal Year 2008	(7,978)	0
Decrease in Fair Market Value of Investments Fiscal Year 2007	(81,017)	0
Expenditure Accruals	127,850	32,279
Encumbrances	(234,946)	(3,741)
Budget Basis	\$226,597	\$30,502

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current 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 School 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;

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. 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 School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,446,324 of the School District's bank balance of \$2,839,076 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School 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.

**Lynchburg Clay Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Investments

As of June 30, 2008, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$175,986	Average 54 Days
Negotiable Certificates of Deposit	140,000	Less than one year
Negotiable Certificates of Deposit	250,000	Less than two years
Federal Home Loan Bank Bonds	701,220	Less than two years
Federal Home Loan Bank Global Notes	2,102,521	Less than five years
Federal Home Loan Bank Notes	500,000	Less than five years
Federal Home Loan Mortgage Corp. Medium Term Notes	2,754,519	Less than five years
Federal National Mortgage Association Global Notes	506,926	Less than four years
Total Investments	<u>\$7,131,172</u>	

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. The Federal Home Loan Bank Bonds, Federal Home Loan Bank Global Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corp. Medium Term Notes, and the Federal National Mortgage Association Global Notes carry ratings of Aaa by Moodys. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit are in denominations of under \$100,000 each, in separate banks, and are insured by the FDIC. The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 39 percent is invested in Federal Home Loan Medium Term Notes, 29 percent is invested in Federal Home Loan Bank Global Notes, 10 percent is invested in Federal Home Loan Bank Bonds, 7 percent is invested in Federal Home Loan Bank Notes, and 7 percent is invested in Federal National Mortgage Association Global Notes.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 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 calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) 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. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Lynchburg Clay Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**NOTE 6 - PROPERTY TAXES** (Continued)

The School District receives property taxes from Highland, Clinton and Brown Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 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.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$38,699 in the General Fund, \$3,865 in the Debt Service Fund, and \$885 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2007, was \$48,430 in the General Fund, \$4,794 in the Debt Service fund, and \$1,108 in the Classroom Facilities Fund.

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

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	\$84,488,690	92.38%	\$86,359,670	94.00%
Public Utility Personal	3,815,580	4.17%	3,606,630	3.93%
General Business Personal	3,156,953	3.45%	1,903,671	2.07%
Total Assessed Value	\$91,461,223	100.00%	\$91,869,971	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.00		\$28.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of interest, accounts, intergovernmental grants, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. All receivables will be collected within one year except for property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

**Lynchburg Clay Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**NOTE 7 – RECEIVABLES** (Continued)

	Amount
<u>Governmental Activities:</u>	
Food Service - Federal Lunch Reimbursement	\$22,044
IDEA-B	39,327
Title I Grant	42,107
Title V Grant	2,593
Drug Free Schools Grant	1,612
Improving Teacher Quality Grant	14,523
Miscellaneous	1,769
Total Intergovernmental Receivable	\$123,975

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Deductions	Balance at 6/30/08
<u>Governmental Activities:</u>				
Capital Asset Not Being Depreciated:				
Land	\$405,668	\$0	\$0	\$405,668
Construction in Progress	102,882	155,294	(258,176)	0
Total Capital Assets Not Being Depreciated	508,550	155,294	(258,176)	405,668
Capital Assets Being Depreciated:				
Land Improvements	2,247,556	34,339	0	2,281,895
Buildings and Building Improvements	24,645,208	267,414	0	24,912,622
Furniture, Fixtures and Equipment	2,558,220	119,663	(9,560)	2,668,323
Vehicles	1,291,688	22,014	0	1,313,702
Books and Educational Media	619,971	43,759	0	663,730
Total Capital Assets Being Depreciated	31,362,643	487,189	(9,560)	31,840,272
Less Accumulated Depreciation:				
Land Improvements	(766,693)	(101,995)	0	(868,688)
Buildings and Building Improvements	(6,583,206)	(634,203)	0	(7,217,409)
Furniture, Fixtures and Equipment	(1,670,190)	(115,692)	8,150	(1,777,732)
Vehicles	(925,403)	(86,758)	0	(1,012,161)
Books and Educational Media	(614,366)	(6,416)	0	(620,782)
Total Accumulated Depreciation	(10,559,858)	(945,064) *	8,150	(11,496,772)
Total Capital Assets Being Depreciated, Net	20,802,785	(457,875)	(1,410)	20,343,500
Governmental Activities Capital Assets, Net	\$21,311,335	(\$302,581)	(\$259,586)	\$20,749,168



**Lynchburg Clay Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 8 - CAPITAL ASSETS** (Continued)

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

Instruction:	
Regular	\$749,227
Special	11,162
Vocational	8,686
Support Services:	
Pupils	6,688
Instructional Staff	7,662
Administration	10,936
Fiscal	430
Operation and Maintenance of Plant	37,056
Pupil Transportation	86,979
Central	1,092
Operation of Non-Instructional Services:	
Food Services	22,788
Extracurricular Activities	2,358
Total Depreciation Expense	\$945,064

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance for property insurance, fleet insurance, liability insurance, and inland marine coverage. Coverage provided by Indiana Insurance is as follows:

Building and Contents - at replacement cost (\$1,000 deductible)	\$24,129,459
Commercial Computer Coverage (\$500 deductible)	100,000
Musical Instruments Coverage (\$500 deductible)	100,000

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 9 - RISK MANAGEMENT** (Continued)

General Liability:	
Aggregate Limit	\$3,000,000
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	2,000,000
Personal and Advertising Injury Limit - Each Offense	2,000,000
Medical Expense Limit - Per Person/Accident	15,000
Medical Expense Limit - Each Accident	15,000
Fire Damage Limit - Any One Event	300,000
Employer's Liability:	
Bodily Injury - Each Accident	2,000,000
Bodily Injury - Endorsement Limit	2,000,000
Bodily Injury by Disease - Each Employee	2,000,000
Employee Benefits Liability:	
Per Claim	2,000,000
Aggregate Limit	3,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit (\$2,500 deductible)	2,000,000
Errors and Omissions Aggregate Limit	2,000,000
Employment Practices Injury Limit (\$2,500 deductible)	2,000,000
Employment Practices Aggregate Limit	2,000,000
Defense Costs Cap	100,000
Defense Costs Aggregate Cap	100,000
Fleet/Automobile Liability (deductibles \$500 collision, \$250 comprehensive)	
Liability	2,000,000
Uninsured Motorists Coverage	2,000,000
Sexual Misconduct and Molestation Liability Coverage	
Each Loss Limit	2,000,000
Aggregate Limit	2,000,000
Defense Costs Aggregate Cap	300,000

Settled claims have not exceeded this commercial coverage in any of the past five fiscal years. There has been no significant change in coverage from the prior fiscal year.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 9 - RISK MANAGEMENT** (Continued)

**B. Workers' Compensation**

For fiscal year 2008, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical, Vision and Dental Benefits**

Prior to fiscal year 2007, the School District provided medical/surgical coverage to employees through a self-insurance internal service fund. The School District paid monthly premiums to the fiscal agent who in turn paid the claims on the School District's behalf. Beginning in fiscal year 2007, the District started participating in an insurance purchasing pool.

Vision and dental benefits are provided through a self-insurance program. The School District is a member of a claims servicing pool, consisting of thirteen school districts and one educational service center within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent, who in turn pays the claims on the School District's behalf.

The information presented below represents the payout of run-out claims medical/surgical benefits and an estimate of vision and dental claims. The claims liability of \$22,778 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2007	\$138,846	\$233,099	\$357,149	\$14,796
2008	\$14,796	\$146,726	\$138,744	\$22,778

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 9 - RISK MANAGEMENT** (Continued)

**D. Employee Medical Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), an insurance purchasing pool (Note 16) consisting of nine members. The Consortium has elected to have Humana provide medical coverage purchased as a group through the Consortium. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage benefits. The Consortium is responsible for the management and operation of the program.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School 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 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$92,169, \$89,895, and \$89,521 respectively; 77.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 of 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.

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 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.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$612,634, \$573,135, and \$535,219 respectively; 82.64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,851 made by the School District and \$8,429 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) 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 SERS 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 Street, 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.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$64,606, \$50,453, and \$51,121 respectively; 77.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part 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, 2007, and 2006 were \$6,641, \$6,113, and \$7,125 respectively; 77.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

Plan Description – The School 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 one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$47,126, \$44,087, and \$41,171 respectively; 82.64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from School District policies and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Each fiscal year, employees are given the option to request payment for up to ten days of vacation leave at fiscal year-end.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 12 - EMPLOYEE BENEFITS** (Continued)

**B. Special Termination Benefits**

The School District offers an Early Notice of Retirement Incentive program to all employees who are eligible to retire under either SERS or STRS. The employees who give written notice of the intended retirement date on or before March 1<sup>st</sup> of the year in which they intend to retire will receive an incentive payment. The employees may exercise this option in the first, second, or third year of eligibility for retirement. The incentive amount is calculated by multiplying an average of the last three full years' wages by the years of service and a factor rate. The factor rate is .005 for the first year, .0033 for the second year, and .0025 for the third year. Payment is made on June 1 of the year in which the employee retires. During fiscal year 2008, no employees received the special termination benefit.

**C. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Ohio Educational Employees Life Insurance Trust.

**NOTE 13 - CAPITAL LEASES—LESSEE DISCLOSURE**

In prior years, the School District entered into lease agreements for copiers. The terms of each agreement provide an option to purchase the equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Principal payments in fiscal year 2008 totaled \$1,040 in the General Fund.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Copiers	\$4,500
Less: Accumulated Depreciation	(3,600)
Total	\$900

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.



**Lynchburg Clay Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**NOTE 13 - CAPITAL LEASES—LESSEE DISCLOSURE** (Continued)

Fiscal year Ending June 30, 2009	Total Payments
Less: Amount Representing Interest	\$581
Present Value of Minimum Lease Payments	(17)
	\$564

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Amounts Outstanding 6/30/2007	Additions	Deductions	Amounts Outstanding 6/30/2008	Amounts Due in One Year
Governmental Activities:					
1998 School Improvement					
Bonds, 3.8%	\$1,720,000	\$0	\$90,000	\$1,630,000	\$90,000
Capital Leases	1,604	0	1,040	564	564
Compensated Absences	392,606	108,042	80,344	420,304	44,836
Total Governmental Activities	\$2,114,210	\$108,042	\$171,384	\$2,050,868	\$135,400

**School Improvement Bonds** - In July 1998, the School District issued school improvement bonds in the amount of \$2,330,600 for the construction of a new elementary school, a new high school and renovations to the old high school building to be used as a middle school. The bonds were issued for a twenty-three year period with final maturity in fiscal year 2022. The bonds will be paid from the Debt Service Fund.

Capital lease obligations will be paid from the General Fund. Compensated absences will be paid from the General, Food Service, Title VI-B, Title I, and Title VI-R funds.

The School District's overall legal debt margin was \$7,178,860 with an unvoted debt margin of \$89,637 at June 30, 2008.

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

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

Fiscal year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$90,000	\$82,136	\$172,136
2010	95,000	77,904	172,904
2011	100,000	72,906	172,906
2012	105,000	67,141	172,141
2013	110,000	61,094	171,094
2014-2018	655,000	205,926	860,926
2019-2022	475,000	36,375	511,375
Total	<u>\$1,630,000</u>	<u>\$603,482</u>	<u>\$2,233,482</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, and a representative of the fiscal agent. The School District paid SCOCA \$87,780 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**B. Great Oaks Institute of Technology and Career Development**

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgetary and taxing authority. Great Oaks offers career technical programs to high school juniors and seniors of the School District. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, Ohio, 45241-1581.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 16 - INSURANCE PURCHASING POOLS**

**A. Brown County Schools Benefits Consortium**

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Humana to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member board of directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**NOTE 17 – CLAIMS SERVICING POOL**

**Ross County School Employees Insurance Consortium**

The School District is a member of the Ross County School Employees Insurance Consortium (the “Consortium”), a claims servicing pool consisting of thirteen school districts and one educational service center within Ross County and its surrounding area. Dental and vision insurance is administered through a third party administrator, Professional Risk Management Co. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers’ Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2007	(\$534,155)	\$0	\$30,409
Current Fiscal Year Set-aside Requirement	204,645	204,645	0
Qualifying Disbursements	(297,648)	(847,247)	0
Current Fiscal Year Offsets	0	(93,724)	0
Totals	<u>(\$627,158)</u>	<u>(\$736,326)</u>	<u>\$30,409</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$627,158)</u>	<u>\$0</u>	<u>\$30,409</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$30,409</u>

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

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

**NOTE 19 - INTERFUND ACTIVITY**

**A. Interfund Receivables/Payables**

As of June 30, 2008, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable General Fund
Payable	All Other Governmental Funds	\$22,347

The amounts due to the General Fund from All Other Governmental Funds are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in All Other Governmental Funds within one year.

**B. Interfund Transfers**

Transfers made during the fiscal year ended June 30, 2008, were as follows:

		Transfer From General Fund
Transfer To	All Other Governmental Funds	\$25,001

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

*Lynchburg Clay Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008  
(Continued)

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**NOTE 19 - INTERFUND ACTIVITY** (Continued)

**C. Advances To/From Other Funds**

As of June 30, 2008, receivables and payables that resulted from various long-term advances were as follows:

	Advances From	
Advances To	General Fund	
Food Service		\$31,938

The advance from the General Fund to the Food Service Special Revenue Fund was made to support programs and projects accounted for in that fund. The General Fund will be reimbursed when the monies are received in the Food Service Fund. The reimbursement period is expected to exceed one year.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

The School District is not currently party to legal proceedings.

**NOTE 21 - SUBSEQUENT EVENT**

On September 22, 2008, the School District issued \$984,999 in School Improvement Refunding Bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. The bonds were issued at 4.272 percent, with final maturity on December 1, 2020.

**LYNCHBURG CLAY LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY, OHIO**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$28,515	\$0	\$27,157
Nutrition Cluster:						
National School Breakfast Program	05-PU-2007	10.553	55,660		55,660	
National School Lunch Program	LL-P4-2007 LL-P4-2008	10.555	141,798		141,798	
Total Nutrition Cluster			<u>197,458</u>	<u>0</u>	<u>197,458</u>	<u>0</u>
Total U.S. Department of Agriculture			<b>197,458</b>	<b>28,515</b>	<b>197,458</b>	<b>27,157</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI B)	6B-SF-2008 6B-SF-2007	84.027	257,739	0	265,360	0
			<u>257,739</u>	<u>0</u>	<u>265,360</u>	<u>0</u>
IDEA Preschool Grant for Handicapped	PG-S1-2008 PG-S1-2007	84.173	4,679		4,679	
			<u>4,679</u>	<u>0</u>	<u>4,679</u>	<u>0</u>
Total Special Education Cluster			<b>262,418</b>	<b>0</b>	<b>270,039</b>	<b>0</b>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2008 C1-S1-2007	84.010	146,581	0	151,502	0
Innovative Educational Program Strategies	C2-S1-2007 C2-S1-2008	84.298	932	0	820	0
Drug-Free Schools Grant	DR-S1-2007 DR-S1-2008	84.186	4,027	0	4,411	0
Title IID, Technology Fund	TJ-S1-2007 TJ-S1-2008	84.318	158	0	0	0
Improving Teacher Quality State Grants	TR-S1-2007 TR-S1-2008	84.367	54,766	0	60,505	0
Total U.S. Department of Education			<u>468,882</u>	<u>0</u>	<u>487,277</u>	<u>0</u>
<b>Totals</b>			<u><b>\$666,340</b></u>	<u><b>\$28,515</b></u>	<u><b>\$684,735</b></u>	<u><b>\$27,157</b></u>

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

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lynchburg-Clay Local School District  
Highland County  
301 East Pearl Street  
Lynchburg, Ohio 45142

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2009. 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 Government's internal control over financial reporting.

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.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated March 11, 2009.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated March 11, 2009.

We intend this report solely for the information and use of the audit committee, management, board of education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 11, 2009



# Mary Taylor, CPA

## Auditor of State

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

Lynchburg-Clay Local School District  
Highland County  
301 East Pearl Street  
Lynchburg, Ohio 45142

To the Board of Education:

#### Compliance

We have audited the compliance of Lynchburg-Clay Local School District, Highland 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 its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants 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 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 Lynchburg-Clay Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

#### 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 District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness 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 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusions in this report, that we reported to the District's management in a separate letter dated March 11, 2009.

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 11, 2009

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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

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

None

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

None





**Mary Taylor, CPA**  
Auditor of State

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT**  
**HIGHLAND 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**  
**MARCH 31, 2009**