

**NEW LEXINGTON CITY SCHOOL DISTRICT**

PERRY COUNTY

SINGLE AUDIT

June 30, 2005





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the New Lexington City School District, Perry County, prepared by Wilson, Shannon, & Snow Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

December 29, 2005

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**New Lexington City School District**

June 30, 2005

**TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	11
STATEMENT OF ACTIVITIES	12
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS	13
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND	17
STATEMENT OF NET ASSETS – PROPRIETARY FUND	18
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PROPRIETARY FUND	19
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	20
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – FIDUCIARY FUND	21
NOTES TO THE BASIC FINANCIAL STATEMENTS	22

**New Lexington City School District**

June 30, 2005

**TABLE OF CONTENTS**

Continued

SUPPLEMENTAL DATA

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES	49
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES	50
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	51
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	53
SCHEDULE OF FINDINGS	55

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



### **Independent Auditors' Report**

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of New Lexington City School District, Perry County, Ohio (the School District) as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*, causing a restatement of beginning fund balances. In addition, as disclosed in Note 3, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure*. The implementation of GASB 40 had no significant impact on the School District's financial position.

*Wilson, Shannon & Snow, Inc.*

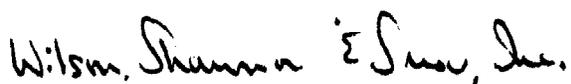
**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as 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 this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Wilson, Shuman & Snow, Inc." The signature is written in a cursive, slightly slanted style.

Newark, Ohio  
November 28, 2005

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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The discussion and analysis of the New Lexington City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2005 include:

- General revenues and a special item accounted for \$13,138,143 in revenue or 74.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,494,973 or 25.5 percent of total revenues of \$17,633,116.
- Total program expenses were \$16,355,248.
- In total, net assets increased \$1,277,868 which represents a 4.0 percent increase from 2004.
- Outstanding bonded debt decreased from \$3,265,000 to \$3,155,000 through the payment of bond principal.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the most significant fund.

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

#### *Statement of Net Assets and the Statement of Activities*

A question typically asked about the School District's finances is, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* 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.

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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These two statements report the School District's *net assets* and *changes in those assets*. This 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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food services and extracurricular activities.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant 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 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

**Fiduciary Funds** - The School District's only fiduciary fund is for Student Managed Activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District's other financial statements because the assets can't be used by the School District to finance operations.

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

**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 2005 compared to 2004:

**(Table 1)**  
**Net Assets – Governmental Activities**

	2005	2004
<b>Assets</b>		
Current and Other Assets	\$ 11,065,030	\$ 9,486,950
Capital Assets	30,352,808	31,415,673
Total Assets	41,417,838	40,902,623
<b>Liabilities</b>		
Long-Term Liabilities	4,441,354	4,349,104
Other Liabilities	3,860,250	4,715,153
Total Liabilities	8,301,604	9,064,257
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	\$ 27,004,609	\$ 28,048,015
Restricted	1,914,790	922,942
Unrestricted	4,196,835	2,867,409
Total Net Assets	\$ 33,116,234	\$ 31,838,366

Total assets increased by \$515,215. Cash increased by \$1,114,623 from the prior year, comprising the largest portion of the current assets increase. Capital assets decreased by \$1,062,865 due to current year depreciation expense exceeding additional purchases. Total liabilities decreased by \$762,653. The majority of this is due to a \$917,581 decrease of unearned revenue, which was related to the amount of property taxes receivable at year-end.

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2005. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets - Governmental Activities**

	<u>2005</u>	<u>2004</u>
<b><i>Revenues</i></b>		
<i>Program Revenues</i>		
Charges for Services	\$ 364,649	\$ 385,840
Operating Grants and Contributions	4,104,339	2,396,953
Capital Grants and Contributions	25,985	0
<i>Total Program Revenues</i>	<u>4,494,973</u>	<u>2,782,793</u>
<i>General Revenues</i>		
Property Taxes	3,400,887	3,104,391
Grants and Entitlements	9,385,030	10,245,270
Other	275,121	318,947
<i>Total General Revenues</i>	<u>13,061,038</u>	<u>13,668,608</u>
<i>Special Item</i>	<u>77,105</u>	<u>0</u>
<i>Total Revenues</i>	<u>17,633,116</u>	<u>16,451,401</u>
<b><i>Program Expenses</i></b>		
Instruction	8,919,707	8,865,490
Support Services:		
Pupils and Instructional Staff	1,082,657	979,502
Board of Education, Administration, Fiscal and Business	1,732,032	1,689,495
Operation and Maintenance of Plant	1,734,129	1,538,067
Pupil Transportation	1,121,515	1,439,893
Central	324,187	324,210
Operation of Non-Instructional Services:		
Food Service Operations	776,973	870,706
Community Services	99,121	87,245
Extracurricular Activities	366,496	355,352
Interest and Fiscal Charges	198,431	188,932
<i>Total Expenses</i>	<u>16,355,248</u>	<u>16,338,892</u>
Increase in Net Assets	<u>\$ 1,277,868</u>	<u>\$ 112,509</u>

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 26 percent of general revenues for governmental activities for the School District in fiscal year 2005. Nonspecific State support, however, is the primary support for the School District at 71.9 percent of general revenues. Although the School District relies heavily upon these two sources to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 54.5 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 36.7 percent. The remaining 8.8 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services.

**(Table 3)**  
**Governmental Activities**

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Instruction	\$ 8,919,707	\$ 8,865,490	\$ (5,552,156)	\$ (7,438,684)
Support Services:				
Pupil and Instructional Staff	1,082,657	979,502	(1,061,655)	(695,842)
Board of Education, Administration, Fiscal, and Business	1,732,032	1,689,495	(1,610,697)	(1,600,484)
Operation and Maintenance of Plant	1,734,129	1,538,067	(1,728,168)	(1,521,961)
Pupil Transportation	1,121,515	1,439,893	(1,095,530)	(1,435,800)
Central	324,187	324,210	(308,047)	185,305
Operation of Non-Instructional Services:				
Food Service Operations	776,973	870,706	60,372	(483,492)
Community Services	99,121	87,245	(99,121)	(87,245)
Extracurricular Activities	366,496	355,352	(266,842)	(288,964)
Interest and Fiscal Charges	198,431	188,932	(198,431)	(188,932)
<b>Total Expenses</b>	<b>\$ 16,355,248</b>	<b>\$ 16,338,892</b>	<b>\$ (11,860,275)</b>	<b>\$ (13,556,099)</b>

The dependence nonspecific State support for governmental activities is apparent. 57.5 percent of expenses are directly supported by nonspecific State support. Program revenues only account for 27.5 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific.

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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**The School District's Funds**

Information about the School District's governmental funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,661,989 and expenditures of \$15,395,969. The net change in fund balance for the fiscal year was \$2,447,520. Changes in the general fund, the only major fund are described below.

**General Fund**

The general fund is the only major fund for fiscal year 2005 and had total revenues of \$14,089,316, an increase of \$1,361,486 from the previous year. The general fund also had total expenditures of \$12,132,647, a decrease of \$249,049. Overall, the net change in fund balance was an increase of \$2,045,838.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2005, the School District amended its general fund budget several times. The most significant amendments occurred due to changes in the expenditure priorities in the buildings. For the general fund, the final budget basis revenue was \$13,328,237 and did not change from the original budget. The final appropriations were \$13,887,558, which was \$183,002 higher than the original budget of \$13,704,556. Most of this difference was due to an underestimation of instruction expenses. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$3,973,664.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2005, the School District had \$30,352,808 invested in land, buildings and building improvements, improvements other than buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared with 2004. More detailed information is presented in Note 8 of the notes to the basic financial statements.

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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

	2005	2004
Land	\$ 218,360	\$ 218,360
Buildings and Building Improvements	27,158,331	27,991,520
Improvements Other than Buildings	547,583	593,143
Furniture and Equipment	1,825,650	1,889,546
Vehicles	602,884	723,104
Totals	\$ 30,352,808	\$ 31,415,673

The \$1,062,865 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

For fiscal year 2005, Ohio law required school districts to set aside certain revenues for capital improvements and for textbooks. For fiscal year 2005, this amounted to \$297,575 for textbooks only. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and therefore, is not required to set aside any additional funds. The School District has also elected to designate \$372,000 within the general fund for possible future shortfalls. Additional information regarding set-asides is presented in Note 20 of the notes to the basic financial statements.

***Debt***

At June 30, 2005, the School District had \$3,155,000 in bonds outstanding with \$115,000 due within one year. During fiscal year 2004, \$110,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt at June 30**  
**Governmental Activities**

	2005	2004
General Obligation Bonds	\$ 3,155,000	\$ 3,265,000

In 1998, the School District passed a bond issue providing \$3,560,000 for the construction of a new High School and the refurbishing of the former High School (now known as the Middle School) and the former Middle School (now known as the Elementary School). The Junction City Elementary School was also completely renovated and still remains an Elementary School. A more detailed presentation is included in Note 13 of the notes to the basic financial statements.

**New Lexington City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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***Economic Factors***

The New Lexington City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy, a 3 mill renewal, passed by the residents of the School District was in February, 2003, with the promise that the revenue generated by a levy would provide sufficient funding for five years.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property tax revenue makes up only 19.4 percent of revenues for governmental activities for the School District in fiscal year 2005. Unlike many other school districts, the School District is not dependent upon revenues generated from property taxes.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dan Stanton, Treasurer of New Lexington City School District, 101 Third Avenue, New Lexington, OH 43764 or [dans@seovec.org](mailto:dans@seovec.org).

**NEW LEXINGTON CITY SCHOOL DISTRICT**

*Statement of Net Assets*

*June 30, 2005*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,975,516
Receivables:	
Taxes	4,078,131
Accounts	8,655
Accrued Interest	2,312
Intergovernmental	958,834
Prepaid Items	27,759
Inventory Held for Resale	9,377
Materials and Supplies Inventory	4,446
Nondepreciable Capital Assets	218,360
Depreciable Capital Assets (Net)	30,134,448
<i>Total Assets</i>	<u>41,417,838</u>
<b>Liabilities</b>	
Accounts Payable	159,770
Accrued Wages and Benefits	1,136,920
Accrued Interest Payable	14,355
Intergovernmental Payable	378,170
Unearned Revenue	1,920,393
Matured Severance Payable	42,819
Claims Payable	207,823
Long Term Liabilities:	
Due Within One Year	267,820
Due in More Than One Year	4,173,534
<i>Total Liabilities</i>	<u>8,301,604</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	27,004,609
Restricted for:	
Capital Projects	3,236
Debt Service	455,284
Set Asides	297,575
Other Purposes	1,158,695
Unrestricted	4,196,835
<i>Total Net Assets</i>	<u>\$ 33,116,234</u>

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 6,056,319	\$ 33,250	\$ 2,687,378	\$ 0	\$ (3,335,691)
Special	2,207,218	0	638,200	0	(1,569,018)
Vocational	645,231	6,117	0	0	(639,114)
Other	10,939	2,606	0	0	(8,333)
Support Services:					
Pupils	626,942	0	16,681	0	(610,261)
Instructional Staff	455,715	0	4,321	0	(451,394)
Board of Education	99,099	0	0	0	(99,099)
Administration	1,244,288	0	86,549	0	(1,157,739)
Fiscal	325,672	0	0	0	(325,672)
Business	62,973	0	34,786	0	(28,187)
Operation and Maintenance of Plant	1,734,129	0	5,961	0	(1,728,168)
Pupil Transportation	1,121,515	0	0	25,985	(1,095,530)
Central	324,187	0	16,140	0	(308,047)
Operation of Non-Instructional Services:					
Food Service Operations	776,973	269,764	567,581	0	60,372
Community Services	99,121	0	0	0	(99,121)
Extracurricular Activities	366,496	52,912	46,742	0	(266,842)
Debt Service:					
Interest and Fiscal Charges	198,431	0	0	0	(198,431)
<b>Totals</b>	<u>\$ 16,355,248</u>	<u>\$ 364,649</u>	<u>\$ 4,104,339</u>	<u>\$ 25,985</u>	<u>(11,860,275)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	3,054,234
Debt Service	346,653
Grants and Entitlements not Restricted to Specific Programs	9,385,030
Investment Earnings	69,653
Miscellaneous	205,468

*Total General Revenues* 13,061,038

Special Item: Gain on Forgiveness of Capital Lease Obligation 77,105

*Change in Net Assets* 1,277,868

*Net Assets Beginning of Year* 31,838,366

*Net Assets End of Year* \$ 33,116,234

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,324,715	\$ 803,267	\$ 5,127,982
Restricted Cash and Cash Equivalents	323,560	0	323,560
Receivables:			
Taxes	3,661,077	417,054	4,078,131
Accounts	5,321	3,334	8,655
Accrued Interest	2,312	0	2,312
Intergovernmental	0	958,834	958,834
Prepaid Items	27,759	0	27,759
Inventory Held For Resale	0	9,377	9,377
Materials and Supplies Inventory	0	4,446	4,446
<i>Total Assets</i>	<u>\$ 8,344,744</u>	<u>\$ 2,196,312</u>	<u>\$ 10,541,056</u>
<b>Liabilities</b>			
Accounts Payable	\$ 110,718	\$ 49,052	\$ 159,770
Accrued Wages and Benefits	959,486	177,434	1,136,920
Intergovernmental Payable	345,754	32,416	378,170
Deferred Revenue	2,598,767	791,621	3,390,388
Matured Severance Payable	42,819	0	42,819
<i>Total Liabilities</i>	<u>4,057,544</u>	<u>1,050,523</u>	<u>5,108,067</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	563,891	116,445	680,336
Reserved for Inventory	0	13,823	13,823
Reserved for Prepays	27,759	0	27,759
Reserved for Property Taxes	1,062,310	131,297	1,193,607
Reserved for Textbooks	297,575	0	297,575
Reserved for Bus Purchase	25,985	0	25,985
Unreserved, Designated:			
Designated for Budget Stabilization	372,000	0	372,000
Unreserved, Undesignated, Reported in:			
General Fund	1,937,680	0	1,937,680
Special Revenue Funds	0	627,123	627,123
Debt Service Fund	0	253,865	253,865
Capital Projects Funds	0	3,236	3,236
<i>Total Fund Balances</i>	<u>4,287,200</u>	<u>1,145,789</u>	<u>5,432,989</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,344,744</u>	<u>\$ 2,196,312</u>	<u>\$ 10,541,056</u>

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

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**Total Governmental Fund Balances** \$ 5,432,989

*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. 30,352,808

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	\$ 505,864
Delinquent Property Taxes	<u>964,131</u>

Total 1,469,995

An 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. 316,151

In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due. (14,355)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(3,155,000)
Compensated Absences Payable	(1,093,155)
Capital Leases	<u>(193,199)</u>

Total (4,441,354)

*Net Assets of Governmental Activities* \$ 33,116,234

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 3,170,495	\$ 430,353	\$ 3,600,848
Intergovernmental	10,720,603	2,690,286	13,410,889
Investment Income	69,360	293	69,653
Tuition and Fees	38,816	2,606	41,422
Extracurricular Activities	0	52,912	52,912
Rentals	551	0	551
Charges for Services	0	269,764	269,764
Miscellaneous	89,491	126,459	215,950
<i>Total Revenues</i>	<u>14,089,316</u>	<u>3,572,673</u>	<u>17,661,989</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	5,031,459	728,453	5,759,912
Special	1,566,595	605,398	2,171,993
Vocational	499,884	140,247	640,131
Other	6,416	1,931	8,347
Support Services:			
Pupils	482,977	128,669	611,646
Instructional Staff	228,995	205,386	434,381
Board of Education	85,341	0	85,341
Administration	1,195,718	71,760	1,267,478
Fiscal	300,220	14,235	314,455
Business	25,837	44,696	70,533
Operation and Maintenance of Plant	1,451,926	20,505	1,472,431
Pupil Transportation	752,237	7,361	759,598
Central	218,733	49,004	267,737
Operation of Non-Instructional Services:			
Food Service Operations	0	753,348	753,348
Community Services	0	95,514	95,514
Extracurricular Activities	242,832	107,154	349,986
Capital Outlay	0	4,980	4,980
Debt Service:			
Principal Retirement	34,082	110,000	144,082
Interest and Fiscal Charges	9,395	174,681	184,076
<i>Total Expenditures</i>	<u>12,132,647</u>	<u>3,263,322</u>	<u>15,395,969</u>
<i>Excess of Revenues Over Expenditures</i>	1,956,669	309,351	2,266,020
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	304	0	304
Inception of Capital Lease	201,728	0	201,728
Transfers In	0	112,863	112,863
Transfers Out	(112,863)	0	(112,863)
<i>Total Other Financing Sources (Uses)</i>	<u>89,169</u>	<u>112,863</u>	<u>202,032</u>
<i>Net Change in Fund Balances</i>	2,045,838	422,214	2,468,052
<i>Fund Balances Beginning of Year Restated</i>	2,241,362	744,107	2,985,469
<i>Decrease in Reserve for Inventory</i>	0	(20,532)	(20,532)
<i>Fund Balances End of Year</i>	<u>\$ 4,287,200</u>	<u>\$ 1,145,789</u>	<u>\$ 5,432,989</u>

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,468,052

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period

Capital Asset Additions	\$ 323,419
Current Year Depreciation	<u>(1,375,803)</u>

Total	(1,052,384)
-------	-------------

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal

(10,481)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Grants	104,465
Delinquent Property Taxes	<u>(199,961)</u>

Total	(95,496)
-------	----------

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets

Bond Principal	110,000
Capital Leases	<u>111,187</u>

Total	221,187
-------	---------

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due

(14,355)

Inception of capital lease in the governmental funds that increase long term liabilities in the statement of net assets are not reported as revenues in the statement of activities

(201,728)

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

Compensated Absences	(111,709)
Change in Inventory	<u>(20,532)</u>

Total	(132,241)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities

95,314

*Change in Net Assets of Governmental Activities*

\$ 1,277,868

The accompanying notes are an integral part to the basic financial statements

**NEW LEXINGTON CITY 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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,457,689	\$ 2,285,000	\$ 2,145,286	\$ (139,714)
Intergovernmental	10,720,603	10,866,237	10,720,603	(145,634)
Investment Income	68,514	40,000	68,514	28,514
Tuition and Fees	38,758	44,000	38,758	(5,242)
Rentals	551	500	551	51
Miscellaneous	42,122	47,500	42,122	(5,378)
<i>Total Revenues</i>	<u>13,328,237</u>	<u>13,283,237</u>	<u>13,015,834</u>	<u>(267,403)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,294,955	5,664,041	5,152,648	511,393
Special	1,581,439	1,714,564	1,547,956	166,608
Vocational	499,637	506,667	496,309	10,358
Other	7,045	10,440	9,039	1,401
Support Services:				
Pupils	566,073	559,284	508,787	50,497
Instructional Staff	268,201	343,733	259,049	84,684
Board of Education	81,255	92,139	85,343	6,796
Administration	1,209,265	1,248,887	1,179,609	69,278
Fiscal	316,831	320,468	300,353	20,115
Business	15,700	28,505	22,929	5,576
Operation and Maintenance of Plant	1,759,510	1,784,234	1,692,809	91,425
Pupil Transportation	1,167,658	889,514	822,684	66,830
Central	272,496	273,373	247,790	25,583
Operation of Non-Instructional Services:				
Food Service Operations	5,416	0	0	0
Extracurricular Activities	238,593	261,893	250,094	11,799
<i>Total Expenditures</i>	<u>13,284,074</u>	<u>13,697,742</u>	<u>12,575,399</u>	<u>1,122,343</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	44,163	(414,505)	440,435	854,940
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	0	0	304	304
Refund of Prior Year Expenditures	0	45,000	57,503	12,503
Refund of Prior Year Receipts	(2,198)	(2,198)	0	2,198
Advances Out	(116,249)	(962)	0	962
Transfers In	0	0	186,000	186,000
Transfers Out	(302,035)	(186,656)	(186,000)	656
<i>Total Other Financing Sources (Uses)</i>	<u>(420,482)</u>	<u>(144,816)</u>	<u>57,807</u>	<u>202,623</u>
<i>Net Change in Fund Balance</i>	(376,319)	(559,321)	498,242	1,057,563
<i>Fund Balance Beginning of Year</i>	2,879,394	2,879,394	2,879,394	0
Prior Year Encumbrances Appropriated	596,028	596,028	596,028	0
<i>Fund Balance End of Year</i>	<u>\$ 3,099,103</u>	<u>\$ 2,916,101</u>	<u>\$ 3,973,664</u>	<u>\$ 1,057,563</u>

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**

*Statement of Net Assets*

*Proprietary Fund*

*June 30, 2005*

	<u>Governmental Activities - Internal Service</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 523,974</u>
<b>Liabilities</b>	
Claims Payable	<u>207,823</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 316,151</u></u>

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**  
*Statement of Revenues, Expense, and Changes in Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2005*

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	Governmental Activities - Internal Service
<b>Operating Revenues</b>	
Charges for Services	\$ 1,621,413
<b>Operating Expenses</b>	
Materials and Supplies	160
Claims	1,523,789
Other	2,150
	1,526,099
<i>Total Operating Expenses</i>	
	95,314
<i>Operating Income</i>	
	220,837
<i>Net Assets Beginning of Year</i>	
	\$ 316,151
<i>Net Assets End of Year</i>	

The accompanying notes are an integral part to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2005

	Governmental Activities - Internal Service
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 1,621,413
Cash Paid for Claims	(1,540,415)
Other Cash Payments	(2,310)
	<u>78,688</u>
<i>Net Cash Provided By Operating Activities</i>	<u>78,688</u>
<i>Net Increase in Cash and Cash Equivalents</i>	78,688
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>445,286</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 523,974</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
<i>Operating Income</i>	\$ 95,314
Adjustment:	
Decrease in Claims Payable	<u>(16,626)</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 78,688</u></u>

The accompanying notes are an integral part to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT**

*Statement of Fiduciary Assets and Liabilities*

*Fiduciary Fund*

*June 30, 2005*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 65,579
Accounts Receivable	<u>225</u>
<i>Total Assets</i>	<u><u>\$ 65,804</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 3,682
Due to Students	<u>62,122</u>
<i>Total Liabilities</i>	<u><u>\$ 65,804</u></u>

The accompanying notes are an integral part to the basic financial statements.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY**

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

The School District operates under a locally-elected five member board form of government and provides educational services as mandated by State statute and Federal agencies. The Board of Education controls the School District's five instructional/support facilities staffed by 78 classified employees, 142 certified teaching personnel, and 15 administrators, who provide services to 1,873 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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 provides 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 the Southeast Ohio Voluntary Educational Consortium, the Tri-County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, and the Southeastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 17 and 18.

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

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

***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 also eliminated to avoid "doubling up" revenues and expenses.

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, 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** - During the 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. 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 in a single column 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 year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically 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 is the School District's major governmental fund:

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

**General Fund** – The general fund accounts 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.

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

**Proprietary Funds** – Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program, which provides medical benefits to employees.

**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 fund is an agency fund which accounts for student activities.

**C. Measurement Focus**

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

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

Like the government-wide statements, the internal service fund is 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 net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., 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 internal service fund activity.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

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

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

***Unearned Revenue*** - Unearned 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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

Deferred revenues on the governmental financial statements are receivables which will not be collected within the available period.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

***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 governmental funds.

***E. 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 the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2005, investments were limited to certificates of deposit and a repurchase agreement.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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 2005 amounted to \$69,360, which includes \$17,774 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 reported as cash equivalents.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

***G. Inventory***

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

On fund financial statements, reported inventories are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net assets.

Inventories consisted of materials and supplies held for consumptions, and donated and purchased food held for resale.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by statute to be set aside for the purchase of textbooks. See Note 20 for additional information regarding set-asides.

***I. Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They 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) and updated for additions and retirements during the year. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 Years
Buildings and Improvements	20-40 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years

***J. Interfund Balances***

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

***K. 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future (employees with ten or more years of service). The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the School District's termination policies.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Severance Payable" in the funds from which the employee will be paid.

***L. 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 from proprietary funds are reported on the proprietary 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, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***M. Net Assets***

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

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

***N. Fund Balance Reserves and Designations***

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations for expenditures. The School District records designations for portions of fund equity which the School District Board of Education has segregated for specific future use. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, prepaid items, inventory, bus purchase and textbooks.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America, but not available for appropriation under State statute. The reserves for textbooks represent monies required to be set-aside by statute for the purchase of textbooks.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

***P. Interfund Activity***

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.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District reported a special item of \$77,105 which represents a gain on the forgiveness of a capital lease obligation.

***R. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

***S. Budgetary Data***

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustments**

For fiscal year 2005, the School District implemented GASB Technical Bulletin No. 2004-2, “*Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.*” This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and nonmajor funds of the School District as they were previously reported as of June 30, 2005:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund balances, June 30, 2004	\$ 2,445,476	\$ 761,955
GASB Technical Bulletin No. 2004-2	<u>(204,114)</u>	<u>(17,848)</u>
Restated fund balance, June 30, 2004	\$ <u>2,241,362</u>	\$ <u>744,107</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005, included the following individual fund deficit:

	<u>Deficit</u>
Nonmajor Special Revenue Fund: DPIA	\$ 71,131

The deficit fund balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, rather than when accruals occur.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

**C. Change in Accounting Principle**

The District has implemented GASB Statement No. 40, *Deposits and Investment Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*. Implementation of this GASB had no impact on the District's financial position or results of operation.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ 2,045,838
Net adjustment for revenue accruals	(1,073,483)
Net adjustment for expenditure accruals	200,496
Adjustment for encumbrances	<u>(674,609)</u>
Budget Basis	<u>\$ 498,242</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 to be deposited or invested in the following securities:

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAROhio).
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2005, the School District and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$966,095. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, \$900,000 of the School District's bank balance of \$1,061,608 was exposed to custodial risk as discussed above, while \$161,608 was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2005, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Repurchase Agreement	<u>\$ 5,075,000</u>	<u>\$ 5,075,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

***Credit Risk.*** The repurchase agreement is unrated.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	\$ 5,075,000	100.00%

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

The following is a reconciliation of cash and its investment to the Statement of Net Assets at June 30, 2005:

Investment (summarized above)	\$ 5,075,000
Carrying amount of the School District's deposits	966,095
Cash and cash equivalents – Statement of Fiduciary Assets and Liabilities	(65,579)
Cash and cash equivalents – Governmental Activities	\$ 5,975,516

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Perry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 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, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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 unearned revenue.

The amount available as an advance at June 30, 2005, was \$1,062,310 in the general fund, \$119,361 in the bond retirement debt service fund and \$11,936 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2004, was \$37,101 in the general fund, \$4,691 in the bond retirement debt service fund and \$853 in the classroom facilities maintenance special revenue 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 the fiscal year 2005 taxes were collected are:

	2004 Second-Half		2005 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Real Property	\$ 89,888,330	80%	\$ 94,236,350	80%
Public Utility Tangible				
Personal Property	7,310,000	6%	7,308,040	6%
Tangible Personal Property	15,830,279	14%	16,295,780	14%
Total Assessed Value	<u>\$ 113,028,609</u>	<u>100%</u>	<u>\$ 117,840,170</u>	<u>100%</u>
Tax rate per \$1,000 of assessed value	<u>\$ 32.67</u>		<u>\$ 32.67</u>	

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Nonmajor Funds:	
Title I	\$ 553,350
Eisenhower Grant	177,457
Title V - Innovative Programs	10,875
Title VI-B - Special Education	60,598
School to Work	71,808
Food Service	<u>84,746</u>
 Total All Funds	 <u><u>\$ 958,834</u></u>

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**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 218,360	\$ 0	\$ 0	\$ 218,360
<i>Total Capital Assets, not being depreciated</i>	<u>218,360</u>	<u>0</u>	<u>0</u>	<u>218,360</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	948,051	0	0	948,051
Building and Improvements	34,052,083	0	0	34,052,083
Furniture and Equipment	4,904,579	323,419	0	5,227,998
Vehicles	1,337,382	0	(104,803)	1,232,579
<i>Total Capital Assets, being depreciated</i>	<u>41,242,095</u>	<u>323,419</u>	<u>(104,803)</u>	<u>41,460,711</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(354,908)	(45,560)	0	(400,468)
Building and Improvements	(6,060,563)	(833,189)	0	(6,893,752)
Furniture and Equipment	(3,015,033)	(387,315)	0	(3,402,348)
Vehicles	(614,278)	(109,739)	94,322	(629,695)
<i>Total Accumulated Depreciation</i>	<u>(10,044,782)</u>	<u>(1,375,803) *</u>	<u>94,322</u>	<u>(11,326,263)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>31,197,313</u>	<u>(1,052,384)</u>	<u>(10,481)</u>	<u>30,134,448</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 31,415,673</u>	<u>\$ (1,052,384)</u>	<u>\$ (10,481)</u>	<u>\$ 30,352,808</u>

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

Instruction:	
Regular	\$ 550,321
Special	27,516
Vocational Education	4,127
Support Services:	
Pupil	16,510
Instructional Staff	20,637
Board of Education	13,758
Administration	27,516
Fiscal	4,127
Operation and Maintenance of Plant	266,906
Pupil Transportation	357,709
Central	56,408
Operation of Non-Institutional Services:	
Food Service Operations	13,758
Extracurricular Activities	<u>16,510</u>
 Total Depreciation Expense	 <u><u>\$ 1,375,803</u></u>

**NOTE 9 – RISK MANAGEMENT**

***A. Workers' Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

***B. 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.

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Real Property	\$ 1,000	\$ 39,233,738
General Liability:		
Per Occurrence	0	1,000,000
Annual Aggregate	0	3,000,000
Boiler and Machinery	1,000	12,100,000
Electronic Equipment	500	1,254,411
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	0	50,000
Per Accident	0	50,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

***C. Employee Medical Benefits***

Medical/surgical, prescription drug, vision, and dental insurance are offered to employees through a self-insurance internal service fund. The fund is responsible for \$125,000 in claims per individual per year. After that, stop-loss covers up to a lifetime maximum of \$2,000,000 per covered. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The claims liability of \$207,823 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, 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 the fund's claims liability amount in fiscal years 2005 and 2004 were:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2004	\$ 194,398	\$ 1,775,889	\$ 1,745,838	\$ 224,449
2005	224,449	1,523,789	1,540,415	207,823

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with remainder being used to fund health care benefits; for fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$273,480, \$278,964 and \$261,912, respectively; 51 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***B. State Teachers Retirement System***

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

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$941,256, \$901,152 and \$854,904, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

Retirees who participated in the DC or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$67,233 for fiscal year 2005.

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$132,720.

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

**NOTE 12 – OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 230 days for classified employees and 330 days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for certified employees and 60 days for classified employees.

***B. Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Kanawha Insurance Company in the amount of \$30,000.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**NOTE 13 - GENERAL LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2005 were as follows:

	Principal Outstanding 6/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amount Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
Classroom Facilities					
Bonds - 3.45%, 5.375%	\$ 3,265,000	\$ 0	\$ (110,000)	\$ 3,155,000	\$ 115,000
Compensated Absences	981,446	154,393	(42,684)	1,093,155	115,399
Capital Leases	102,658	201,728	(111,187)	193,199	37,421
	<u>\$ 4,349,104</u>	<u>\$ 356,121</u>	<u>\$ (263,871)</u>	<u>\$ 4,441,354</u>	<u>\$ 267,820</u>

**Classroom Facilities General Obligation Bonds** – On July 1, 1999, New Lexington City School District issued \$3,873,000 in voted general obligation bonds for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities. The bonds were issued for a 23 year period with final maturity at December 1, 2021. The bonds will be retired from the bond retirement debt service fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

During fiscal year 2005, the School District traded in leased copier equipment prior to maturity. At the time the assets were traded in, the existing capital leases had a remaining balance of \$77,105, which is included in the table above as a reduction in principal. Capital lease payable will be paid from the general fund.

The School District's overall debt margin was \$7,823,841 with an unvoted debt margin of \$117,840 at June 30, 2005. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2006	\$ 115,000	\$ 169,674	\$ 284,674
2007	120,000	164,326	284,326
2008	130,000	158,511	288,511
2009	135,000	152,250	287,250
2010	140,000	141,554	281,554
2011-2015	860,000	563,819	1,423,819
2016-2020	1,120,000	301,000	1,421,000
2021-2022	535,000	29,160	564,160
Total	<u>\$ 3,155,000</u>	<u>\$ 1,680,294</u>	<u>\$ 4,835,294</u>

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 14 – CAPITALIZED LEASES**

Capital lease obligations relate to copier equipment which is leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, "Accounting for Leases." Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund. The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Ending June 30,	Amount
2006	\$ 49,377
2007	49,093
2008	47,676
2009	47,676
2010	31,784
Total Minimum Lease Payments	225,606
Less: Amount Representing Interest	32,407
Present Value of Minimum Lease Payments	\$ 193,199

**NOTE 15 – UNEARNED/DEFERRED REVENUE**

Unearned/Deferred revenue at June 30, 2005 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property tax receivable	\$ 1,920,393	\$ 2,884,524
Grants receivable	0	505,864
Total unearned/deferred revenue	\$ 1,920,393	\$ 3,390,388

**NOTE 16 – INTERFUND TRANSFERS**

During fiscal year 2005, the general fund transferred \$112,863 to the food service special revenue fund based on the School District electing to convert the prior year advance from the general fund to the food service special revenue fund to an operating transfer. Therefore, an outstanding interfund receivable/payable does not exist at June 30, 2005.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

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

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$51,199 for services provided during the year. To obtain financial information, write to the Southeast Ohio Voluntary Education Consortium, Bobbie Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45710.

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

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

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

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

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

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

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 18 – INSURANCE PURCHASING POOLING**

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

**NOTE 19– CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

***B. Litigation***

As of June 30, 2005, the School District was a party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**NOTE 20 – SET-ASIDES**

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District has elected to set aside money for budget stabilization, which has been designated on the face of the financial statements.

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 20 – SET-ASIDES (Continued)**

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

	Budget Stabilization	Textbook Reserve	Capital Maintenance Reserve
Set-aside balance as of June 30, 2004	\$ 186,000	\$ 322,328	\$ 0
Current year set-aside requirement	0	286,597	286,597
Current year additional board designation	186,000	0	0
Qualifying disbursements	<u>0</u>	<u>(311,350)</u>	<u>(198,949)</u>
Current year set-aside requirement	<u>186,000</u>	<u>(24,753)</u>	<u>87,648</u>
Beginning carryover offsets	0	0	(861,310)
Current year offsets	<u>0</u>	<u>0</u>	<u>(27,200)</u>
Total available offsets	0	0	(888,510)
Current year application of offsets	<u>0</u>	<u>0</u>	<u>87,648</u>
Set-aside balance as of June 30, 2005	<u>\$ 372,000</u>	<u>\$ 297,575</u>	<u>\$ (800,862)</u>
Balance Carried Forward to FY2006	<u>\$ 372,000</u>	<u>\$ 297,575</u>	<u>\$ (800,862)</u>
Restricted Cash Balance at June 30, 2005	<u>\$ 0</u>	<u>\$ 297,575</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the previous and current fiscal year that reduced the capital acquisition set-aside amount below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

A schedule of Governmental Fund restricted and designated assets at June 30, 2005 follows:

Amount restricted for textbooks	\$ 297,575
Amount restricted for bus purchases	<u>25,985</u>
Total restricted assets	<u>\$ 323,560</u>
Amount designated for budget stabilization	<u>\$ 372,000</u>

**New Lexington City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 21 – STATE SCHOOL FUNDING DECISION**

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

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

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

New Lexington City School District  
Perry County

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

For the Fiscal Year Ended June 30, 2005

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Donation	N/A	10.550	\$ -	\$ 90,126	\$ -	\$ 90,126
School Breakfast Program	05-PU-04,05	10.553	89,664	-	89,664	-
National School Lunch Program	LL-P4,P1-04,05	10.555	303,751	-	303,751	-
Summer Food Service Program for Children	23,24-PU-04	10.559	26,296	-	26,296	-
<i>Total Child Nutrition Cluster:</i>			<u>419,711</u>	<u>90,126</u>	<u>419,711</u>	<u>90,126</u>
<b>Total U.S. Department of Agricultur</b>			<u>419,711</u>	<u>90,126</u>	<u>419,711</u>	<u>90,126</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education-Grants to States	6B-SF-04,05	84.027	505,486	-	494,795	-
Title I Grants to Local Educational Agencies	C1-S1-04,05	84.010	358,015	-	581,564	-
Vocational Education-Basic Grants to States	20-A0-05	84.048	17,654	-	13,452	-
Safe and Drug Free Schools and Communities-State Grants	DR-S1-05	84.186	14,157	-	14,157	-
State Grants for Innovative Programs	C2-S1-04,05	84.298	17,218	-	17,114	-
Education Technology State Grants	TJ-S1-04,05	84.318	4,320	-	13,255	-
Rural Education	RU-S1-04,05	84.358	11,071	-	41,492	-
Improving Teacher Quality State Grants	TR-S1-04,05	84.367	71,523	-	176,262	-
<b>Total U.S. Department of Education</b>			<u>999,444</u>	<u>-</u>	<u>1,352,091</u>	<u>-</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	4,221	-	4,221	-
Medical Assistance Program	N/A	93.778	23,574	-	23,574	-
<b>Total U.S. Department of Health and Human Service</b>			<u>27,795</u>	<u>-</u>	<u>27,795</u>	<u>-</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 1,446,950</u>	<u>\$ 90,126</u>	<u>\$ 1,799,597</u>	<u>\$ 90,126</u>

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

**New Lexington City School District  
Perry County**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

For the Fiscal Year Ended June 30, 2005

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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



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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of New Lexington City School District, Perry County, Ohio (the School District) as of and for the fiscal year ended June 30, 2005 and have issued our report thereon dated November 28, 2005. As disclosed in Note 3, the School District implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and other Postemployment Benefit Expenditures/Expenses by Cost-Sharing Employers*. In addition, the School District implemented GASB Statement 40, *Deposit and Investment risk Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 28, 2005.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

### **Compliance and Other Matters**

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

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 28, 2005



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

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

**Compliance**

We have audited the compliance of New Lexington City School District, Perry County, Ohio, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2005. As disclosed in Note 3, the School District implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses by Cost-Sharing Employers*. In addition, the School District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2005.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

## **Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a certain matter that we have reported to management in a separate letter dated November 28, 2005.

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 28, 2005

**New Lexington City School District  
Perry County**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505

June 30, 2005

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for its major federal program?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for its major federal program?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Program (list):</b>	Special Education Grants to States / 84.027
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**New Lexington City School District  
Perry County**

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

June 30, 2005

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

None were noted

**3. FINDINGS FOR FEDERAL AWARDS**

None were noted



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**NEW LEXINGTON CITY SCHOOL DISTRICT**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2006**