



Dave Yost • Auditor of State



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

New Lexington City School District  
Perry County  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2012, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Federal Awards Receipts and Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

November 19, 2012

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The management's discussion and analysis of the New Lexington City School District's, Perry County (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- The total net assets of the School District decreased \$320,324 or 5.1% from 2011.
- General receipts accounted for \$18,984,832 or 82.52% of total governmental activities receipts. Program specific receipts accounted for \$4,020,332 or 17.48% of total governmental activities receipts.
- The School District had \$23,325,488 in expenses related to governmental activities; \$4,020,332 of these expenses was offset by program specific charges for services and sales, grants or contributions.
- The general fund had receipts and other financing sources of \$17,230,912 in 2012. This represents an increase of \$807,430 from 2011 receipts. The disbursements and other financing uses of the general fund, which totaled \$17,917,285 in 2012 increased \$854,507 from 2011. The net decrease in fund balance for the general fund was \$686,373 or 19.85%.
- The debt service fund had receipts of \$279,432 in 2012, which is an increase of \$7,963 from 2011 receipts. The disbursements in the debt service fund totaled \$289,322 in 2012, which increased \$3,226 from 2011. The net decrease in fund balance was \$9,890 or 1.75%.
- In the general fund, the actual receipts and other financing sources came in \$451 higher than they were in the final budget. Actual disbursements were \$66,793 less than the amount in the final budget. These variances are the result of the School District's conservative budgeting.

**The Basic Financial Statements**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the School District as a financial whole, an 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 School District as a whole, 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?"

These statements will provide information about the activities of the School District as a whole in accordance with the cash basis of accounting. 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 restricting revenue growth, facility conditions, variations of economic conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the School District presents one distinct kind of activity:

Governmental activities - Most of the School District's programs and services are reported here including instruction (regular, special, vocational, and other) and support services (operating and maintenance of buildings, administration, pupil transportation, etc). These services are funded primarily by property taxes and intergovernmental receipts including Federal and State grants and other shared receipts.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the School District's most significant funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements as limited to the cash basis of accounting.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of receipts, disbursements, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The School District maintains a multitude of individual governmental funds. The School District has segregated these funds into major funds and nonmajor funds. The School District's major governmental funds are the general fund and debt service fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of receipts, disbursements, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

***Proprietary Funds***

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

***Fiduciary Funds***

The School District's only fiduciary fund is for student managed activities reported as agency funds. The School District's fiduciary activities are reported in the Statement of Fiduciary Net Assets for these activities.

**Government-Wide Financial Analysis**

The table below provides a summary of the School District's assets, liabilities and net assets at June 30, 2012 and 2011:

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 6,009,833	\$ 6,330,157
Total Assets	<u>\$ 6,009,833</u>	<u>\$ 6,330,157</u>
<u>Net Assets</u>		
Restricted for:		
Capital Projects	\$ 50,000	\$ -
Debt Service	556,188	566,078
Claims	192,497	284,127
Building Maintenance	320,138	264,216
State and Federal Grants	337,200	179,703
Other Purposes	55,438	121,406
Unrestricted	<u>4,498,372</u>	<u>4,914,627</u>
Total Net Assets	<u>\$ 6,009,833</u>	<u>\$ 6,330,157</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, net assets were \$6,009,833 a decrease of \$320,324 from 2011. However, the School District is able to report positive balances in its categories of net assets noting a portion of the School District's net assets, or \$1,511,461, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,498,372 may be used to meet the government's ongoing obligations to citizens and creditors. The table below shows the changes in net assets for fiscal years 2012 and 2011:

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

	Change in Net Assets	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 796,602	\$ 819,625
Operating Grants and Contributions	3,223,730	4,453,676
General Receipts:		
Property Taxes	3,016,549	2,905,710
Unrestricted Grants and Entitlements	13,809,674	12,885,430
Sale of Capital Assets	3,000	-
Lease Proceeds	1,868,358	-
Earnings on Investments	9,189	34,131
Other	<u>278,062</u>	<u>238,412</u>
Total Receipts	<u>23,005,164</u>	<u>21,336,984</u>
Disbursements:		
Instruction:		
Regular	8,243,226	8,497,727
Special	3,820,965	3,480,525
Vocational	739,840	470,889
Other	43,867	9,686
Support Services:		
Pupils	1,097,336	1,175,991
Instructional Staff	522,915	489,066
Board of Education	16,696	116,886
Administration	1,744,718	1,471,919
Fiscal Services	363,508	352,189
Business	44,509	54,392
Operation and Maintenance of Plant	1,716,212	2,086,228
Pupil Transportation	1,142,305	1,071,279
Central	263,877	398,016
Food Service Operations	1,006,675	947,143
Community Services	106,837	130,135
Academic & Subject Oriented Activities	183,507	-
Extracurricular Activities	154,788	474,086
Capital Outlay	1,834,107	-
Debt Service:		
Principal Retirement	200,000	190,000
Interest and Fiscal Charges	<u>79,600</u>	<u>87,400</u>
Total Disbursements	<u>23,325,488</u>	<u>21,503,557</u>
Change in Net Assets	(320,324)	(166,573)
Net Assets at Beginning of Year	<u>6,330,157</u>	<u>6,496,730</u>
Net Assets at End of Year	<u>\$ 6,009,833</u>	<u>\$ 6,330,157</u>

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

**Governmental Activities**

Governmental activities net assets were \$6,009,833 a decrease of \$320,324 from 2011.

The significant major program disbursements for the School District include Instruction (Regular, Special, Vocational, and Other) and Support Services, which primarily supports Pupil, Administration, Operation and Maintenance of Plant, and Pupil Transportation disbursements. Instruction and Support Services had disbursements of \$12,847,898 and \$6,912,076, respectively, and accounted for 55.08% and 29.63% of the governmental disbursements of the School District, respectively. These disbursements were partially funded by \$483,548 in direct charges and sales and \$2,271,903 in operating grants and contributions.

The State and Federal government contributed to the School District a total of \$3,223,730 in operating grants and contributions and are restricted to a particular program or purpose.

General receipts totaled \$18,984,832 and amounted to 82.52% of total governmental receipts. These receipts primarily consist of property taxes and unrestricted grants and entitlements. These receipt line items total \$16,826,223 which is 88.63% of general receipts or 73.08% of all receipts.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table 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 receipts and unrestricted State grants and entitlements. As can be seen in the table below, the School District is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program Disbursements:				
Instruction	\$ 12,847,898	\$ 10,683,920	\$ 12,458,827	\$ 9,103,140
Support Services	6,912,076	6,320,603	7,215,966	6,406,458
Food Service Operations	1,006,675	(44,538)	947,143	72,057
Community Services	106,837	(8,874)	130,135	14,380
Academic & Subject Oriented Activities	183,507	183,507	-	-
Extracurricular Activities	154,788	56,831	474,086	356,821
Capital Outlay	1,834,107	1,834,107	-	-
Debt Service	279,600	279,600	277,400	277,400
Total Disbursements	<u>\$ 23,325,488</u>	<u>\$ 19,305,156</u>	<u>\$ 21,503,557</u>	<u>\$ 16,230,256</u>

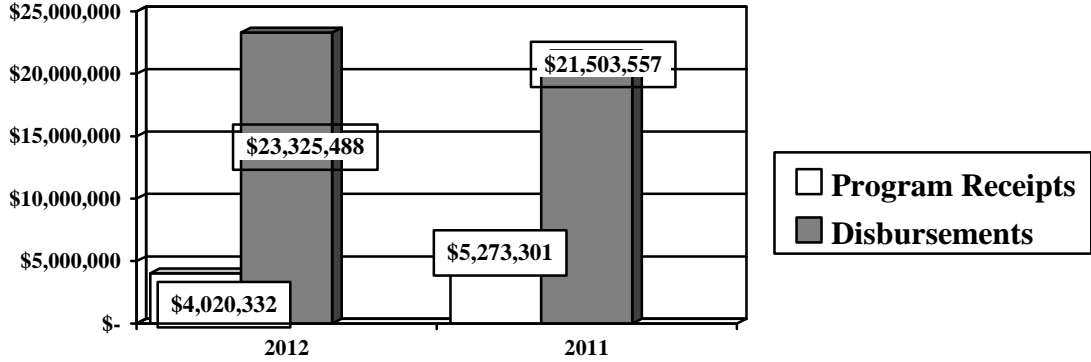
The increase in Instruction disbursements is attributed cost of living raises and step increases for staff while increases in Capital Outlay disbursements is attributed to the building improvement project undertaken by the School District and related to the issuance of \$1,868,358 of Certificate of Participation Lease proceeds.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

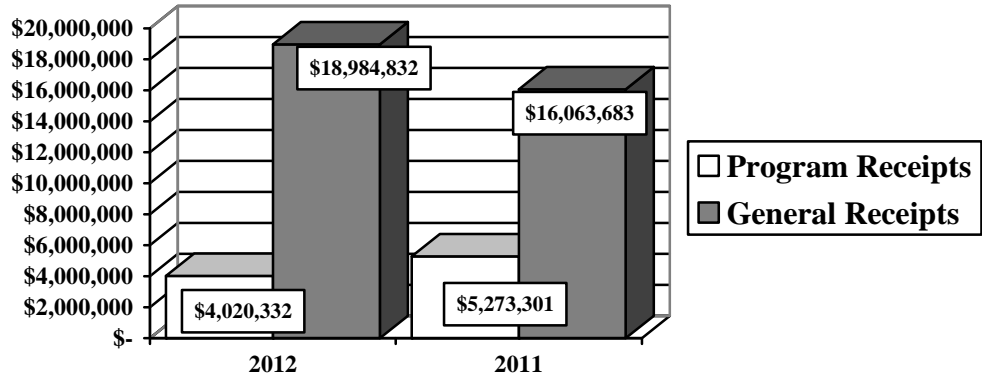
The graph below shows governmental-activities program receipts and total disbursements for fiscal years 2012 and 2011.

**Governmental Activities - Program Receipts vs. Total Disbursements**



The graph below shows governmental-activities general and program receipts for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Receipts**



General receipts increased from 2011 based on higher unrestricted grants and entitlements and the issuance of \$1,868,358 lease proceeds. Program receipts decreased based on lower operating grants and contributions which is directly associated to less American Reinvestment Recovery Act (ARRA) money received.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

**Financial Analysis of the Government's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at year end.

The School District's governmental funds reported a combined fund balance of \$4,090,339 which is \$445,822 less than last fiscal year's total of \$4,536,161. The schedule below indicates the fund balances and the total change in fund balances for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>6/30/2012</u>	<u>Fund Balances</u> <u>6/30/2011</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,771,375	\$ 3,457,748	\$ (686,373)
Debt Service	556,188	566,078	(9,890)
Other Nonmajor Governmental Funds	<u>762,776</u>	<u>512,335</u>	<u>250,441</u>
Total	<u>\$ 4,090,339</u>	<u>\$ 4,536,161</u>	<u>\$ (445,822)</u>

Total fund balances for governmental funds decreased based on higher disbursements when compared to 2011.

***General Fund***

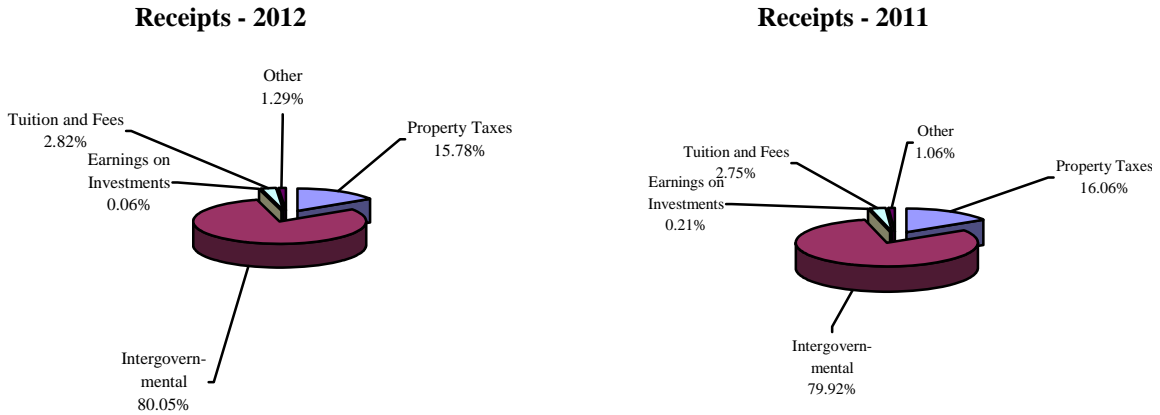
The table that follows assists in illustrating the receipts of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Property Taxes	\$ 2,704,324	\$ 2,621,087	3.18 %
Intergovernmental	13,717,415	13,042,082	5.18 %
Earnings on Investments	9,143	33,825	(72.97) %
Tuition and Fees	483,548	448,220	7.88 %
Other	<u>221,264</u>	<u>172,780</u>	<u>28.06 %</u>
Total	<u>\$ 17,135,694</u>	<u>\$ 16,317,994</u>	5.01 %

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

Intergovernmental receipts represent 80.05% of all general fund receipts and increased 5.18% from 2011 and are attributed to higher school foundation payments and rollback and homestead payments. The graphs below show a breakdown of the general fund's receipts for June 30, 2012 and 2011:



The table that follows assists in illustrating the disbursements of the general fund.

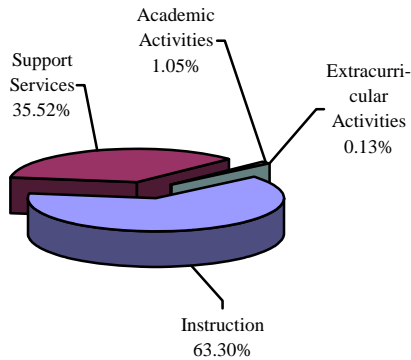
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Disbursements</u></b>			
Instruction	\$ 11,096,407	\$ 10,146,016	9.37 %
Support Services	6,226,281	6,470,546	(3.78) %
Academic & Subject Oriented Activities	183,507	-	100.00 %
Extracurricular Activities	23,148	353,998	(93.46) %
<b>Total</b>	<b><u>\$ 17,529,343</u></b>	<b><u>\$ 16,970,560</u></b>	3.29 %

The increase in Instruction disbursements is attributed cost of living raises and step increases for staff. The graphs below show the general fund's disbursements for June 30, 2012 and 2011:

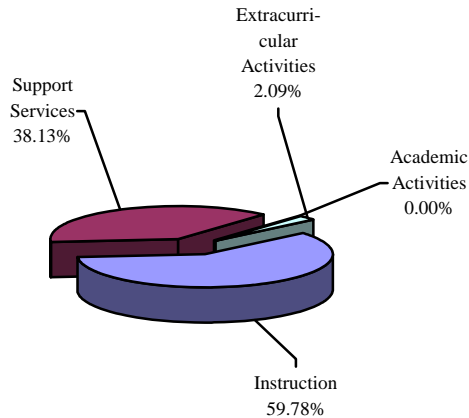
**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

**Disbursements - 2012**



**Disbursements - 2011**



***Debt Service Fund***

The debt service fund had receipts of \$279,432 in 2012, which is an increase of \$7,963 from 2011 receipts. The disbursements in the debt service fund totaled \$289,322 in 2012, which increased \$3,226 from 2011. The net decrease in fund balance was \$9,890 or 1.75%.

***Budgeting Highlights***

The School District's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the School District's appropriations which are restricted by the amounts of anticipated receipts certified by the Budget Commission in accordance with the ORC. Therefore, the School District's plans or desires cannot be totally reflected in the original budget. If budgeted receipts are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, the actual receipts came in \$451 higher than they were in the final budget. Actual disbursements were \$66,793 less than the amount in the final budget. These variances are the result of the School District's conservative budgeting.

**Capital Assets and Debt Administration**

***Capital Assets***

The School District does not report capital assets based on the cash basis of accounting.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011:

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 2,069,996	\$ 2,269,996
Capital Lease Obligation	<u>1,868,358</u>	<u>-</u>
Total	<u><u>\$ 3,938,354</u></u>	<u><u>\$ 2,269,996</u></u>

Additional information regarding the School District's outstanding debt can be found in Note 12.

**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 questions about this report or need additional financial information contact: Ms. Christie Barnette, Treasurer, 1605 Airport Road, New Lexington, Ohio 43764.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Net Assets - Cash Basis  
June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,009,833</u>
<i>Total Assets</i>	<u><u>\$6,009,833</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$50,000
Debt Service	556,188
Building Maintenance	320,138
State and Federal Grants	337,200
Other Purposes	55,438
Claims	192,497
Unrestricted	<u>4,498,372</u>
<i>Total Net Assets</i>	<u><u>\$6,009,833</u></u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012*

	Program Cash Receipts		Nets (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Receipts and Changes in Net Assets
		Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
Current:			
Instruction:			
Regular	\$8,243,226	\$325,333	\$735,405
Special	3,820,965	125,667	911,723
Vocational	739,840	32,488	0
Other	43,867	60	33,302
Support Services:			
Pupil	1,097,336	0	232,570
Instructional Staff	522,915	0	191,072
Board of Education	16,696	0	0
Administration	1,744,718	0	157,127
Fiscal	363,508	0	2,528
Business	44,509	0	0
Operation and Maintenance of Plant	1,716,212	0	0
Pupil Transportation	1,142,305	0	976
Central	263,877	0	7,200
Operation of Non-Instructional Services:			
Food Service Operation	1,006,675	215,097	836,116
Community Services	106,837	0	115,711
Academic & Subject Oriented Activities	183,507	0	0
Extracurricular Activities	154,788	97,957	0
Capital Outlay	1,834,107	0	0
Debt Service:			
Principal Retirement	200,000	0	0
Interest and Fiscal Charges	79,600	0	0
<b>Total</b>	<b>\$23,325,488</b>	<b>\$796,602</b>	<b>\$3,223,730</b>
			<b>(19,305,156)</b>
		<b>General Receipts:</b>	
		Property Taxes Levied for:	
		General Purposes	2,704,324
		Debt Service	260,706
		Classroom Facilities	51,519
		Unrestricted Grants and Entitlements	13,809,674
		Sale of Capital Assets	3,000
		Lease Proceeds	1,868,358
		Earnings on Investments	9,189
		Other	278,062
		<b>Total General Receipts</b>	<b>18,984,832</b>
		Change in Net Assets	(320,324)
		<b>Net Assets Beginning of Year</b>	<b>6,330,157</b>
		<b>Net Assets End of Year</b>	<b>\$6,009,833</b>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2012*

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,771,375	\$556,188	\$762,776	\$4,090,339
<i>Total Assets</i>	<u>\$2,771,375</u>	<u>\$556,188</u>	<u>\$762,776</u>	<u>\$4,090,339</u>
<b>Fund Balances</b>				
Restricted:				
Debt Service	\$0	\$556,188	\$0	\$556,188
State and Federal Grants	0	0	\$337,200	337,200
Building Maintenance	0	0	320,138	320,138
Capital Outlay	0	0	50,000	50,000
Other Purposes	0	0	55,438	55,438
Assigned:				
Public School Support	58,685	0	0	58,685
Future Obligations	368,743	0	0	368,743
Subsequent Year Appropriations	139,819	0	0	139,819
Unassigned (Deficit)	2,204,128	0	0	2,204,128
<i>Total Fund Balances</i>	<u>\$2,771,375</u>	<u>\$556,188</u>	<u>\$762,776</u>	<u>\$4,090,339</u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities - Cash Basis  
June 30, 2012*

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<b>Total Governmental Fund Balances</b>	\$4,090,339
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Governmental activities' net assets include the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.	<u>1,919,494</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$6,009,833</u></u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012*

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,704,324	\$260,706	\$51,519	\$3,016,549
Intergovernmental	13,717,415	18,726	3,297,262	17,033,403
Earnings on Investments	9,143	0	46	9,189
Tuition and Fees	483,548	0	0	483,548
Extracurricular Activities	0	0	97,957	97,957
Charges for Services	0	0	215,097	215,097
Other Receipts	221,264	0	56,798	278,062
<i>Total Receipts</i>	<u>17,135,694</u>	<u>279,432</u>	<u>3,718,679</u>	<u>21,133,805</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,471,558	0	822,749	8,294,307
Special	2,875,868	0	962,279	3,838,147
Vocational	743,350	0	0	743,350
Other	5,631	0	38,236	43,867
Support Services:				
Pupil	853,883	0	253,064	1,106,947
Instructional Staff	311,091	0	213,611	524,702
Board of Education	18,534	0	0	18,534
Administration	1,584,834	0	169,340	1,754,174
Fiscal	351,723	9,722	4,294	365,739
Business	24,986	0	19,523	44,509
Operation and Maintenance of Plant	1,672,427	0	51,467	1,723,894
Pupil Transportation	1,151,148	0	1,139	1,152,287
Central	257,655	0	7,282	264,937
Operation of Non-Instructional Services:				
Food Service Operation	0	0	1,016,022	1,016,022
Community Services	0	0	106,984	106,984
Academic & Subject Oriented Activities	183,507	0	0	183,507
Extracurricular Activities	23,148	0	132,223	155,371
Capital Outlay	0	0	1,834,107	1,834,107
Debt Service:				
Principal Retirement	0	200,000	0	200,000
Interest and Fiscal Charges	0	79,600	0	79,600
<i>Total Disbursements</i>	<u>17,529,343</u>	<u>289,322</u>	<u>5,632,320</u>	<u>23,450,985</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(393,649)</u>	<u>(9,890)</u>	<u>(1,913,641)</u>	<u>(2,317,180)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	3,000	0	0	3,000
Proceeds of Lease	0	0	1,868,358	1,868,358
Advances In	92,218	0	387,942	480,160
Advances Out	(387,942)	0	(92,218)	(480,160)
<i>Total Other Financing Sources (Uses)</i>	<u>(292,724)</u>	<u>0</u>	<u>2,164,082</u>	<u>1,871,358</u>
<i>Net Change in Fund Balances</i>	(686,373)	(9,890)	250,441	(445,822)
<i>Fund Balances Beginning of Year</i>	<u>3,457,748</u>	<u>566,078</u>	<u>512,335</u>	<u>4,536,161</u>
<i>Fund Balances End of Year</i>	<u>\$2,771,375</u>	<u>\$556,188</u>	<u>\$762,776</u>	<u>\$4,090,339</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$445,822)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>125,498</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$320,324)</u></u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$2,897,672	\$3,087,611	\$2,704,324	(\$383,287)
Intergovernmental	13,311,886	13,446,736	13,717,415	270,679
Earnings on Investments	8,873	8,963	9,143	180
Tuition and Fees	469,253	474,006	483,548	9,542
Other	190,215	192,142	196,010	3,868
<i>Total Receipts</i>	<u>16,877,899</u>	<u>17,209,458</u>	<u>17,110,440</u>	<u>(99,018)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,652,100	7,486,287	7,465,237	21,050
Special	2,614,495	2,880,120	2,875,438	4,682
Vocational	493,447	893,337	892,782	555
Other	8,233	1,575	1,253	322
Support Services:				
Pupil	742,340	858,890	854,431	4,459
Instructional Staff	234,829	346,687	343,601	3,086
Board of Education	31,376	18,533	18,559	(26)
Administration	1,306,191	1,619,555	1,609,353	10,202
Fiscal	334,906	361,075	358,823	2,252
Business	25,135	16,766	16,758	8
Operation and Maintenance of Plant	1,813,486	1,731,042	1,718,968	12,074
Pupil Transportation	1,056,543	1,235,765	1,231,917	3,848
Central	242,295	261,623	258,852	2,771
Operation of Non-Instructional Services:				
Academic & Subject Oriented Activities	172,353	184,387	183,507	880
Extracurricular Activities	20,114	25,387	24,757	630
<i>Total Disbursements</i>	<u>16,747,843</u>	<u>17,921,029</u>	<u>17,854,236</u>	<u>66,793</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>130,056</u>	<u>(711,571)</u>	<u>(743,796)</u>	<u>(32,225)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	3,000	3,000
Refund of Prior Year Receipts	0	(127)	(127)	0
Transfers In	0	0	4,251	4,251
Advances In	0	0	92,218	92,218
Advances Out	0	(387,942)	(387,942)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(388,069)</u>	<u>(288,600)</u>	<u>99,469</u>
<i>Net Change in Fund Balance</i>	130,056	(1,099,640)	(1,032,396)	67,244
<i>Unencumbered Fund Balance Beginning of Year</i>	3,272,136	3,272,136	3,272,136	0
Prior Year Encumbrances Appropriated	104,206	104,206	104,206	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$3,506,398</u>	<u>\$2,276,702</u>	<u>\$2,343,946</u>	<u>\$67,244</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Fund Net Assets - Cash Basis  
Proprietary Fund  
June 30, 2012*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,919,494</u>
<i>Total Assets</i>	<u><u>\$1,919,494</u></u>
<b>Net Assets</b>	
Restricted for:	
Claims	\$192,497
Unrestricted	<u>1,726,997</u>
<i>Total Net Assets</i>	<u><u>\$1,919,494</u></u>

*See accompanying notes to the basic financial statements*



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2012*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
<b>Operating Receipts</b>	
Charges for Services	\$3,478,092
Other	<u>5,166</u>
<i>Total Operating Receipts</i>	<u>3,483,258</u>
<b>Operating Disbursements</b>	
Purchased Services	558,312
Claims	2,795,454
Other	<u>3,994</u>
<i>Total Operating Disbursements</i>	<u>3,357,760</u>
<i>Change in Net Assets</i>	<u>125,498</u>
<i>Net Assets Beginning of Year</i>	<u>1,793,996</u>
<i>Net Assets End of Year</i>	<u><u>\$1,919,494</u></u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
June 30, 2012*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$71,445</u>
<i>Total Assets</i>	<u><u>\$71,445</u></u>
<b>Net Assets</b>	
Held on Behalf of Students	<u>\$71,445</u>
<i>Total Net Assets</i>	<u><u>\$71,445</u></u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 1 - Reporting Entity**

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

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Tri-County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, the Southeastern Ohio Special Education Regional Resource Council, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

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

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

***Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The District does not have or report business-type activities.

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

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include claims and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

***Fund Accounting***

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Governmental Funds** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are as follows:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported 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.

**Debt Service Fund** The debt service fund accounts for and reports property taxes restricted for the payment of outstanding long-term debt.

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

**Proprietary Funds** The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as an internal service fund.

**Internal Service Fund** Internal service funds account 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 District maintains an internal service fund to account for its health insurance benefits and based on the internal service fund predominantly accounting for governmental functions, it has been combined with governmental activities within the government-wide financial statements.

**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 not available to support the School District's own programs. The School District does not report trust fund accounts. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

***Budgetary Process***

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

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

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

***Cash and Investments***

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2012 the School District did not report investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2012 was \$9,143. The District also credited interest receipts totaling \$18 and \$28 to the Food Service and Auxiliary Funds, respectively.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The District did not report restricted assets at June 30, 2012.

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Interfund Receivables/Payables***

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

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-Term Obligations***

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

*Net Assets*

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the School District's net assets were restricted by enabling legislation.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Balance*

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The School District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Interfund Transactions***

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The School District does not have business-type activities.

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District did not incur extraordinary or special items during the fiscal year.

**Note 3 – Compliance**

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

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Note 4 - Budgetary Basis of Accounting (Continued)**

In addition, differences may exist based on fund type reporting criteria between the cash basis financial statements and budgetary basis financial statements. The budgetary comparison information presented at June 30, 2012 for the General Fund represents the legally adopted budget for the General Fund without modification for the funds no longer meeting certain fund criteria. In prior years, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, which changed the reporting requirements of the District’s Public School Support Fund and Uniform School Supply Fund as these funds no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the School District’s General Fund in the fiscal year-end financial statements.

	General Fund
Change in Fund Balance	(\$686,373)
Public School Support Fund	18,470
Uniform School Supply Fund	4,250
Encumbrances	(368,743)
Change in Fund Balance - Budgetary Basis	(\$1,032,396)

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 5 – Deposits and Investments (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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.

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of all School District deposits was \$6,081,278 and \$5,956,245 of the School District's bank balance of \$6,206,245 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Note 5 – Deposits and Investments (Continued)**

*Investments*

The School District did not hold investments during the fiscal year.

**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 and public utility property located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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 County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$123,066,100	85.96%	\$130,977,360	86.68%
Public Utility Personal Property	20,095,460	14.04%	20,126,200	13.32%
<b>Total</b>	<b>\$143,161,560</b>	<b>100.00 %</b>	<b>\$151,103,560</b>	<b>100.00 %</b>
Full Tax Rate per \$1,000 of assessed valuation	\$31.60			

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 7 – Loans Receivable**

On January 11, 2010, the School District approved Resolution No. 10-01 authorizing the School District to expend \$78,240 to retire an existing loan held by the Peoples National Bank on behalf of the Orange and Black Boosters of Perry County (the Boosters). The loan was originally obtained by the Boosters to complete the Track Facilities Project for the School District. The Boosters were obligated to repay the School District over a 2 to 3 year period with donation received (including pledged donations which as of the date of the loan totaled \$55,000). During 2012, the School District received the final payment from the Boosters and the loan is considered retired.

**Note 8 - Interfund Balances**

At June 30, 2012 the following short-term interfund loans existed and are expected to be repaid within one year:

	<u>Amount</u>
<u>Advances from the General Fund to Other Governmental Funds:</u>	
Other Local Grants	\$ 2,226
Early Childhood	54,311
Ed Jobs	1,156
Race to the Top	11,545
Special Education	124,345
Title II-D	466
Title I	181,054
Reducing Class Size	11,853
Miscellaneous Federal Grants	986
Total Advances from the General Fund to Other Governmental Funds	<u>\$ 387,942</u>

**Note 9 - Risk Management**

**A. Workers' Compensation**

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 9 - Risk Management (Continued)**

**B. Property and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with the Ohio School Plan for the following insurance coverage:

Type of Coverage	Deductible	Coverage
Property	\$1,000	\$55,342,383
General Liability, in aggregate		4,000,000
General Liability, per occurrence		2,000,000
Bodily Injury, per person		2,000,000
Bodily Injury, per accident		2,000,000
Property Damage		2,000,000
Uninsured Motorist, per person		250,000
Uninsured Motorist, per accident		250,000

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

**C. Employee Medical Benefits**

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

During the fiscal year, employees of the School District were covered by the District's medical/surgical and dental self-insurance plan (the Plan). The School District contributed approximately 90% per month per employee to the Plan and employees authorized payroll withholdings for their respective remaining share. A summary of cash and cash equivalents and claim liabilities that existed at June 30, 2012 and 2011 are as follows:

	Balance at June 30, 2012	Balance at June 30, 2011
Cash and Cash Equivalents:	\$1,919,494	\$1,793,996
Claims Liability at June 30:	371,200	438,074

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 10 - Defined Benefit Pension Plans**

***State Teachers Retirement System***

Plan Description: The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options: New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits: Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits: Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 10 - Defined Benefit Pension Plans (Continued)**

***State Teachers Retirement System***

Combined Plan Benefits: Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010 were \$857,771, \$1,012,495, and \$1,040,455, respectively, which equaled the required contributions each year.

***School Employees Retirement System***

Plan Description: The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 10 - Defined Benefit Pension Plans (Continued)**

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy: Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$372,374, \$246,822 and \$292,731, respectively, which equaled the required contributions each year.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, two of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

**Note 11 - Postemployment Benefits**

***State Teachers Retirement System***

Plan Description: The School District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy: Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$65,982, \$77,884, and \$80,035, respectively which equaled the required contributions each year.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 11 - Postemployment Benefits (Continued)**

*School Employees Retirement System*

Postemployment Benefits: In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan: The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. School District contributions for the fiscal years ended June 30, 2012, 2011 and 2010 were \$21,991, \$15,884 and \$17,408, respectively, which equaled the required contributions each year.

Health Care Plan: ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. School District contributions assigned to health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$47,374, \$61,702 and \$10,537, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Note 11 - Postemployment Benefits (Continued)**

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Note 12 - Debt**

The changes in the School District's long-term debt during fiscal year 2012 were as follows:

	Outstanding June 30, 2011	Additions	Deletions	Outstanding June 30, 2012	Due Within One Year
<b>Governmental Activities</b>					
2008 General Obligation					
Refunding Bonds - 4% - 4.4%	\$2,269,996	\$0	(\$200,000)	\$2,069,996	\$205,000
2012 Certificate of Participation					
Lease - 6.5%	0	1,868,358	0	1,868,358	190,000
<b>Total</b>	<b>\$2,269,996</b>	<b>\$1,868,358</b>	<b>(\$200,000)</b>	<b>\$3,938,354</b>	<b>\$395,000</b>

**2007 School Improvement General Obligation Refunding Bonds:** On October 16, 2007, the School District issued \$2,514,996 of general obligation refunding bonds with interest rates ranging from 4.0%-4.4% to refund a portion of the Classroom Facilities General Obligation Bonds. The bonds are being retired from the Bond Retirement debt service fund from a voted tax levy.

**2012 Certificates of Participation Lease Purchase Financing Agreement:** On March 26, 2012, the School District entered into a lease financing purchase agreement totaling \$2,880,000 for the purpose of financing certain building improvements consisting of energy conservation improvements, including replacement of boilers and chillers, control upgrades, chilled water loop and other improvements. The lease purchase agreement is being retired from the General Fund from an unvoted tax levy. The School District has not finalized the terms of the lease purchase agreement and has a line of credit remaining of \$970,939. Once the lease has been finalized an amortization schedule will be provided.

The following amortization schedule sets forth the following principal and interest requirements of the School District's outstanding debt.

<b>Fiscal Year Ended June 30:</b>	<b>General Obligation Refunding Bonds</b>		
	Principal	Interest	Total
2013	\$205,000	\$71,500	\$276,500
2014	215,000	63,100	278,100
2015	220,000	54,400	274,400
2016	230,000	45,400	275,400
2017	240,000	36,000	276,000
2018-2022	959,996	434,204	1,394,200
<b>Total</b>	<b>\$2,069,996</b>	<b>\$704,604</b>	<b>\$2,774,600</b>

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 13 – Set-Aside Requirements**

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 acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

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

	Capital Improvements	Textbooks	Budget Stabilization
Set-Aside Balance as of June 30, 2011	\$0	\$52,990	\$695,166
Current Year Set-aside Requirement	321,576	0	0
Offsets	(125,052)	0	0
Qualifying Disbursements	(208,778)	(481,768)	0
<b>Total</b>	<b>(\$12,254)</b>	<b>(\$428,778)</b>	<b>\$695,166</b>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$695,166</u>
Set-aside Balance as of June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the School District has elected to designate funds to offset any budget deficit the School District may experience in future fiscal years. The School District opted not to contribute to the budget stabilization account in fiscal year 2012.

**Note 14 – Construction and Contractual Commitments**

The School District had the following significant contractual commitment at June 30, 2012:

Project	Contractor	Contract Amount	Amount Disbursed at June 30, 2012	Balance at June 30, 2012
H.B. 264 Improvements	Johnson Controls	\$2,789,297	\$1,818,358	\$970,939

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 15 – Contingent Liabilities**

**A. Litigation**

The School District is not a party to any law suits at this time.

**B. Grants**

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**C. Student Attendance Review**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**Note 16 - Jointly Governed Organizations**

**A. Southeast Ohio Special Education Regional Resource Council**

The Southeastern Ohio Special Education Regional Resource Council (the Council) is a jointly governed organization formed to provide special education services at a regional level and to assist 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 or a financial responsibility for the operations of the Council.

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

The Coalition of Rural and Appalachian Schools (the Coalition) consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Note 16 - Jointly Governed Organizations (Continued)**

**B. Coalition of Rural and Appalachian Schools (Continued)**

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 contributed \$345 to the Coalition during fiscal year 2012.

**C. Southeast Ohio Voluntary Educational Consortium**

The Southeast Ohio Voluntary Educational Consortium (SEOVEC) was created as a regional council of governments pursuant to state statute. 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 36 participants consisting of 28 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 \$926 for services provided during the fiscal year. Financial information may be obtained by writing to the Treasurer of SEOVEC at 221 North Columbus Road, Athens, Ohio 45710.

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

The Tri-County Joint Vocational School District is a distinct 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. Financial information may be obtained by writing to the Treasurer at 15676 State Route 691, Nelsonville, Ohio 45764.

**Note 17 – Public Entity Risk Pools**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 18 – Subsequent Event**

During fiscal year 2013, the School District borrowed an additional \$767,900 through the lease financing purchase agreement entered into in fiscal year 2012 for the purpose of financing certain building improvements consisting of energy conservation improvements, including replacement of boilers and chillers, control upgrades, chilled water loop and other improvements.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2011/2012	10.553	\$ 12,543	\$ 12,543
National School Lunch Program	2011/2012	10.555	37,628	37,628
Non-Cash Assistance Subtotal			<u>50,171</u>	<u>50,171</u>
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	273,591	273,591
National School Lunch Program	2011/2012	10.555	509,310	509,310
Summer Food Service Program for Children	2011/2012	10.559	38,642	38,642
Cash Assistance Subtotal			<u>821,543</u>	<u>821,543</u>
Total Child Nutrition Cluster			<u>871,714</u>	<u>871,714</u>
Total U.S. Department of Agriculture			871,714	871,714
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	47,329	91,832
	2012		682,890	729,513
Title I Grants to Local Educational Agencies Subtotal			<u>730,219</u>	<u>821,345</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	24,028	31,610
Total Title I, Part A Cluster			754,247	852,955
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA Part B)				
	2011	84.027	32,652	25,464
	2012		349,348	427,224
Special Education, Grants to States, (IDEA Part B) Subtotal			<u>382,000</u>	<u>452,688</u>
ARRA - Special Education, Grants to States (IDEA, Part B) Recovery Act	2011	84.391	81,894	88,630
Special Education Preschool Grants	2012	84.173	6,485	6,485
Total Special Education Cluster (IDEA)			470,379	547,803
Educational Technology State Grants				
	2011	84.318	0	500
	2012		4,244	6,200
Total Educational Technology State Grants			<u>4,244</u>	<u>6,700</u>
Reading First Grant	2011	84.357	0	12,573
Rural and Low Income	2011	84.358	5,041	6,788
	2012		59,271	51,313
Total Rural and low Income			<u>64,312</u>	<u>58,101</u>
Improving Teacher Quality State Grants	2011	84.367	230	10,685
	2012		80,080	78,891
Total Improving Teacher Quality State Grants			<u>80,310</u>	<u>89,576</u>
ARRA - Teacher Incentive Fund, Recovery Act	2011	84.385	51,979	54,251
	2011C		8,569	8,569
	2012		63,988	44,312
Total ARRA - Teacher Incentive Fund, Recovery Act			<u>124,536</u>	<u>107,132</u>
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	2011	84.395	11,613	7,457
	2012		66,820	77,067
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>78,433</u>	<u>84,524</u>
Education Jobs Grant	2012	84.410	646,588	647,744
Total U.S. Department of Education			2,223,049	2,407,108
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>				
<i>Direct Program:</i>				
Medical Assistance Program	2012	93.778	36,499	36,499
Total U.S. Department of Health & Human Services			<u>36,499</u>	<u>36,499</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,131,262</u></b>	<b><u>\$ 3,315,321</u></b>

The accompanying Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this Schedule.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the New Lexington City School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at fair value. The School District allocated donated food commodities to the respective programs that benefited from the use of those donated food commodities.





# Dave Yost • Auditor of State

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

New Lexington City School District  
Perry County  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 19, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-01 through 2012-03.

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated November 19, 2012.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

November 19, 2012



# Dave Yost • Auditor of State

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

New Lexington City School District  
Perry County  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Education:

### Compliance

We have audited the compliance of the 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

As described in finding 2012-04 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding cash management applicable to its Title I, Part A Cluster, Special Education Cluster (IDEA), and Education Jobs Grant major federal programs. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-04 to be a material weakness.

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

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



**Dave Yost**  
Auditor of State

November 19, 2012

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – Title I, Part A Cluster; Special Education Cluster (IDEA); and Education Jobs Grant  Unqualified - Nutrition Cluster
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA #'s 10.553, 10.555 and 10.559  Title I, Part A Cluster CFDA #'s 84.010 and 84.389  Special Education Cluster (IDEA) CFDA #'s 84.027, 84.173 and 84.391  Education Jobs Grant CFDA 84.410
<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>	No

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)

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

FINDING NUMBER 2012-01

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

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

FINDING NUMBER 2012-02

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Ohio Rev. Code Section 5705.40 requires any amended or supplemental appropriation measure to comply with all provisions of law governing the taxing authority in making an original appropriation. In addition, *C. B. Transportation, Inc. v. Butler County Board of Mental Retardations*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979), as well as *Burkholder v. Lauber*, 6 Ohio Misc. 152 (1965), held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another.

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-02 (Continued)

**Noncompliance Citation (Continued)**

On June 29, 2012 the Board of Education authorized the Treasurer to appropriate funds as necessary to balance the district accounts. Based upon this authorization, the Treasurer filed amended appropriations on June 29, 2012, for the fiscal year ending June 30, 2012, with the Perry County Auditor. These amended appropriations were not separately approved by the Board of Education following the laws governing the adoption of the School District's original appropriations. Therefore, these appropriation modifications are not considered legal appropriations of the District.

As a result, contrary to Ohio Rev. Code Section 5705.39, the following School District funds had appropriations in excess of estimated resources: Building Fund - \$920,939; Education Jobs Fund - \$96,196; Race to the Top - \$64,277; Special Education - \$91,165; Title II-D - \$2,978; Title I - \$203,041; Title II-A - \$107,770; and Miscellaneous Federal Grants - \$47,828.

We recommend the Board of Education approve any modifications to the School District's appropriations following the same requirements used in adopting the School District's original appropriations.

**Officials' Response:** For years, it has been the practice of the Board of Education to authorize the Treasurer to make fund appropriations as needed at year end. The Board of Education will now approve specific amounts per fund at year end.

FINDING NUMBER 2012-03

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now"

NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-03 (Continued)

**Noncompliance Citation (Continued)**

certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The School District may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

While the School District followed procedures it believed would result in the effective certification of appropriations, certain provisions of the aforementioned budgetary law were not met. The School District did not properly certify the availability of funds prior to purchase commitment for eight percent of disbursements tested, and there was no evidence the School District followed the aforementioned exceptions.

Also, for the disbursements tested in July and August 2012, our testing noted that eleven percent were not properly certified at June 30, 2012. In these cases, services were performed in June 2012 with payment being made in July 2012 against blanket purchase orders dated July 2, 2012 that were issued for fiscal year 2013 expenses.

Nine percent of the super blanket certificates tested extended beyond the fiscal year end. As a result, the availability of funds was not properly certified through the use of super blanket certificates.

Prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments received prior approval. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the School District obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. We also recommend the Board of Education establish procedures to assure that blanket and super blanket certificates do not extend beyond the end of the fiscal year.

**Officials' Response:** The District was keeping blanket purchase orders open to cover charges from June, billed in July or the blanket purchase orders were closed at year end and the July invoice was paid with the new fiscal year blanket purchase orders. The District is changing its practice for blanket purchase orders so that all blanket orders will be closed at year end, and specific purchase orders will be issued to cover any purchases that will cross both years.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2012-04
<b>CFDA Title and Number</b>	Title I, Part A Cluster – CFDA #84.010 and 84.389 Special Education Cluster (IDEA) – CFDA #84.027, 84.173 and 84.391 Education Jobs Grant - CFDA 84.410
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act and the Indian Self-Determination Act, grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep amounts up to \$100 per year for administrative expenses.

For the Education Jobs Fund, two of the eight drawdowns (25%) were not spent within the required 30 days or by the end of the month, whichever occurred first.

For the Special Education Cluster, two of the eleven drawdowns (18%) were not spent within the required 30 days or by the end of the month, whichever occurred first.

For the Title I Cluster, six of the twelve drawdowns (50%) were not spent within the required 30 days or by the end of the month, whichever occurred first.

Interest earned on excess funds was calculated to be less than \$100.

We recommend the District Treasurer review fund balances periodically to ensure that all federal receipts are expended within the required period. We also recommend that the District promptly remit total interest over \$100 per year that may have been earned on the advances to the Department of Education.

**Officials’ Response and Corrective Action Plan:** In the past, the District has practiced the policy of doing an initial draw of 10% of federal funds at the beginning of the fiscal year. After the initial draw, cash requests were made by requesting any negative balance plus 10% of the allocation. The District is now requesting advances based on any negative balances, one month of payroll for the federal funds that have payroll, in addition to any purchase orders that are expected to be paid within the month.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2011-01	A material noncompliance citation was issued under Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected.  This item is repeated in the accompanying Schedule of Findings as Finding Number 2012-01.
2011-02	Noncompliance, significant deficiency and questioned cost of \$19,028 issued for expenditures made with Title I funds for the middle school even though this building was not identified as a building eligible to receive Title I services for FY11.	Yes	



# Dave Yost • Auditor of State

**NEW LEXINGTON CITY SCHOOL DISTRICT**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 4, 2012**