



Dave Yost • Auditor of State



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 17, 2013

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The management's discussion and analysis of the New Lexington School District, 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, 2013. 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 2013 are as follows:

- The total net position of the School District decreased \$585,306 or 9.7% from 2012.
- General receipts accounted for \$18,867,460 or 81.9% of total governmental activities receipts. Program specific receipts accounted for \$4,173,096 or 18.1% of total governmental activities receipts.
- The School District had \$23,625,862 in expenses related to governmental activities; \$4,173,096 of these expenses was offset by program specific charges for services and sales, operating grants or contributions.
- The general fund had receipts and other financing sources of \$18,349,923 in 2013. This represents an increase of \$1,119,011 from 2012 receipts. The disbursements and other financing uses of the general fund, which totaled \$18,616,822 in 2013 increased \$699,537 from 2012. The net decrease in fund balance for the general fund was \$266,899 or 9.6%.
- The classroom facilities maintenance fund had receipts of \$128,951 in 2013 an increase of \$3,899 from 2012 receipts. The disbursements of the classroom facilities maintenance fund, which totaled \$45,902 in 2013 decreased \$23,228 from 2012. The net increase in fund balance was \$83,049 or 25.9%.
- The debt service fund had receipts of \$303,934 in 2013, which is an increase of \$24,502 from 2012 receipts. The disbursements in the debt service fund totaled \$285,852 in 2013, which decreased \$3,470 from 2012. The net increase in fund balance was \$18,082 or 3.3%.
- General fund had actual receipts which were \$387,941 higher than they were in the final budget. Actual disbursements were \$75 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 position 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, 2013  
UNAUDITED

**Reporting the School District as a Whole**

*Statement of Net Position 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 2013?"

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 position and changes in net position. This change in net position 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 position 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, 2013  
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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, classroom facilities maintenance 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 Position for these activities.

**Government-Wide Financial Analysis**

The table below provides a summary of the School District's assets and net position at June 30, 2013 and 2012:

	Net Position	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,424,527	\$ 6,009,833
Total Assets	<u>\$ 5,424,527</u>	<u>\$ 6,009,833</u>
<u>Net Position</u>		
Restricted for:		
Capital Projects	\$ 10,871	\$ 50,000
Debt Service	574,270	556,188
Claims	210,137	192,497
Building Maintenance	403,187	320,138
State and Federal Grants	10,581	337,200
Other Purposes	50,589	55,438
Unrestricted	<u>4,164,892</u>	<u>4,498,372</u>
Total Net Position	<u>\$ 5,424,527</u>	<u>\$ 6,009,833</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, net position was \$5,424,527 a decrease of \$585,306 from 2012. However, the School District is able to report positive balances in its categories of net position noting a portion of the School District's net position, or \$1,259,635, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$4,164,892 may be used to meet the government's ongoing obligations to citizens and creditors.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The table below shows the changes in net position for fiscal years 2013 and 2012:

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 862,025	\$ 796,602
Operating Grants and Contributions	3,311,071	3,223,730
General Receipts:		
Property Taxes	3,292,820	3,016,549
Unrestricted Grants and Entitlements	14,118,121	13,809,674
Sale of Capital Assets	-	3,000
Lease Proceeds	1,011,642	1,868,358
Earnings on Investments	7,781	9,189
Other	437,096	278,062
<b>Total Receipts</b>	<b><u>23,040,556</u></b>	<b><u>23,005,164</u></b>
Disbursements:		
Instruction:		
Regular	8,618,740	8,243,226
Special	3,768,293	3,820,965
Vocational	654,623	739,840
Other	3,745	43,867
Support Services:		
Pupils	1,096,799	1,097,336
Instructional Staff	571,656	522,915
Board of Education	13,162	16,696
Administration	1,695,454	1,744,718
Fiscal Services	384,548	363,508
Business	57,820	44,509
Operation and Maintenance of Plant	1,521,616	1,716,212
Pupil Transportation	1,252,233	1,142,305
Central	292,531	263,877
Food Service Operations	1,025,172	1,006,675
Community Services	119,587	106,837
Academic & Subject Oriented Activities	244,574	183,507
Extracurricular Activities	127,397	154,788
Capital Outlay	1,535,133	1,834,107
Debt Service:		
Principal Retirement	395,000	200,000
Interest and Fiscal Charges	167,947	79,600
Issuance Costs	79,832	-
<b>Total Disbursements</b>	<b><u>23,625,862</u></b>	<b><u>23,325,488</u></b>
Change in Net Position	(585,306)	(320,324)
Net Position at Beginning of Year	<u>6,009,833</u>	<u>6,330,157</u>
Net Position at End of Year	<b><u>\$ 5,424,527</u></b>	<b><u>\$ 6,009,833</u></b>

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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**Governmental Activities**

Governmental activities net position was \$5,424,527 a decrease of \$585,306 from 2012.

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 \$13,045,401 and \$6,885,819, respectively, and accounted for 55.2% and 29.1% of the governmental disbursements of the School District, respectively. These disbursements were partially funded by \$598,941 in direct charges and sales and \$2,116,776 in operating grants and contributions.

The State and Federal government contributed to the School District a total of \$3,311,071 in operating grants and contributions and are restricted to a particular program or purpose.

General receipts accounted for \$18,867,460 or 81.9% of total governmental activities receipts. These receipts primarily consist of property taxes and unrestricted grants and entitlements. These receipt line items total \$17,410,941 which is 92.3% of general receipts or 75.6% 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.

<b>Governmental Activities</b>				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Program Disbursements:				
Instruction	\$ 13,045,401	\$ 11,154,436	\$ 12,847,898	\$ 10,683,920
Support Services	6,885,819	6,061,067	6,912,076	6,320,603
Food Service Operations	1,025,172	81,528	1,006,675	(44,538)
Community Services	119,587	11,522	106,837	(8,874)
Academic & Subject Oriented Activities	244,574	244,574	183,507	183,507
Extracurricular Activities	127,397	38,343	154,788	56,831
Capital Outlay	1,535,133	1,218,517	1,834,107	1,834,107
Debt Service	<u>642,779</u>	<u>642,779</u>	<u>279,600</u>	<u>279,600</u>
Total Disbursements	<u>\$ 23,625,862</u>	<u>\$ 19,452,766</u>	<u>\$ 23,325,488</u>	<u>\$ 19,305,156</u>

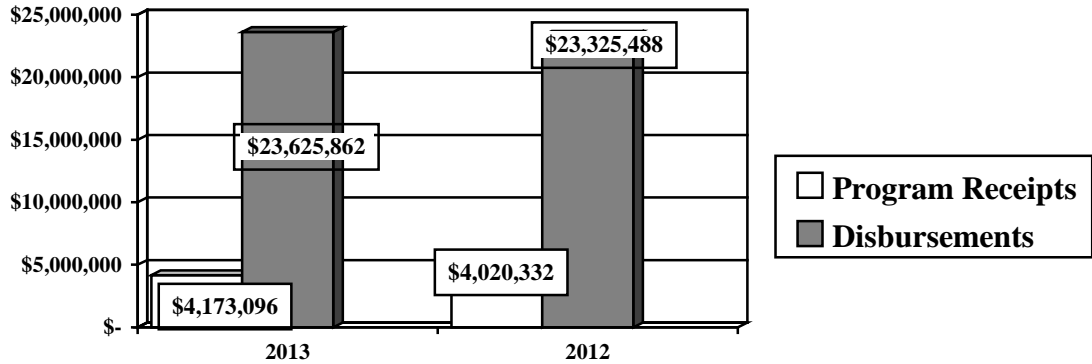
The increase in Instruction disbursements is attributed cost of living raises and step increases for staff. Capital Outlay disbursements slightly decreased as the School District completed its building improvement project. Debt service expenditures increased based on debt payments due for the Certificate of Participation Lease proceeds.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED

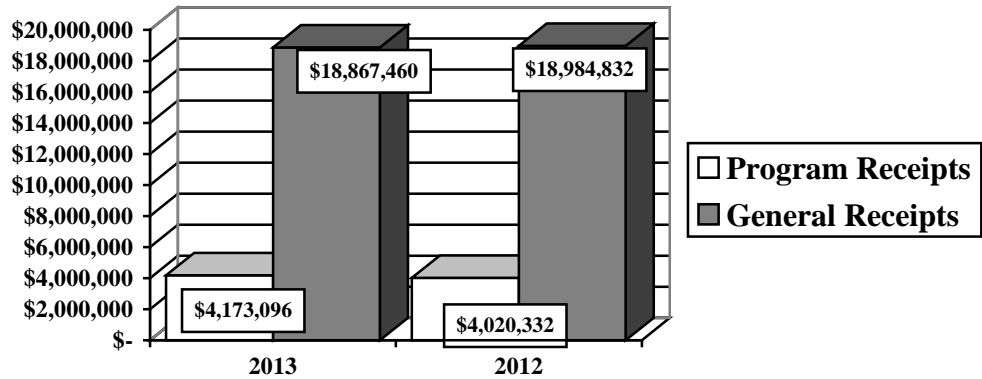
The graph below shows governmental-activities program receipts and total disbursements for fiscal years 2013 and 2012.

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



The graph below shows governmental-activities general and program receipts for fiscal years 2013 and 2012.

**Governmental Activities - General and Program Receipts**



General receipts decreased \$117,372 which is attributed to the District receiving less Certificate of Participation Lease proceeds off-set by increased property taxes and unrestricted grants. Program receipts increased from 2012 based on higher state and federal grants.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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**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 fiscal year end.

The School District's governmental funds reported a combined fund balance of \$3,426,546 which is \$663,793 less than last fiscal year's total of \$4,090,339. 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>6/30/2013</u>	<u>Fund Balances</u> <u>6/30/2012</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,504,476	\$ 2,771,375	\$ (266,899)
Classroom Facilities Maintenance	403,187	320,138	83,049
Debt Service	574,270	556,188	18,082
Other Nonmajor Governmental Funds	<u>(55,387)</u>	<u>442,638</u>	<u>(498,025)</u>
Total	<u>\$ 3,426,546</u>	<u>\$ 4,090,339</u>	<u>\$ (663,793)</u>

Total fund balances for governmental funds decreased based on higher disbursements when compared to 2012, specifically liquidating fund balances for building improvements.

**General Fund**

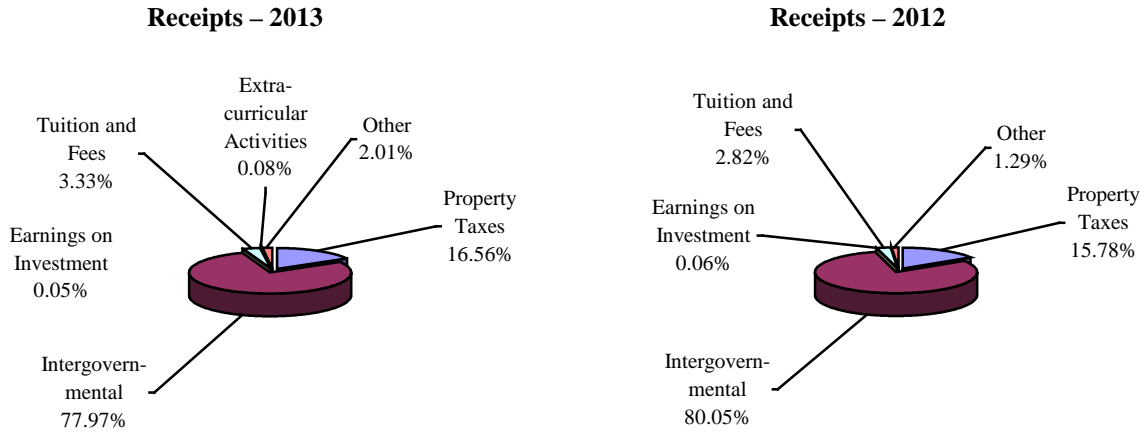
The table that follows assists in illustrating the receipts of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Property Taxes	\$ 2,974,523	\$ 2,704,324	10.0 %
Intergovernmental	14,004,196	13,717,415	2.1 %
Earnings on Investments	7,765	9,143	(15.1) %
Tuition and Fees	598,941	483,548	23.9 %
Extracurricular Activities	14,871	-	100.0 %
Other	<u>361,685</u>	<u>221,264</u>	<u>63.5 %</u>
Total	<u>\$ 17,961,981</u>	<u>\$ 17,135,694</u>	4.8 %

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

Intergovernmental receipts represent 78% of all general fund receipts and increased 2.1% from 2012 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, 2013 and 2012:



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

	2013 Amount	2012 Amount	Percentage Change
<b><u>Disbursements</u></b>			
Instruction	\$ 11,712,292	\$ 11,096,407	5.6 %
Support Services	5,957,721	6,226,281	(4.3) %
Academic & Subject Oriented Activities	244,574	183,507	33.3 %
Extracurricular Activities	38,661	23,148	67.0 %
Capital Outlay	237,978	-	100 %
Debt Service	286,447	-	100 %
<b>Total</b>	<b>\$ 18,477,673</b>	<b>\$ 17,529,343</b>	<b>5.4 %</b>

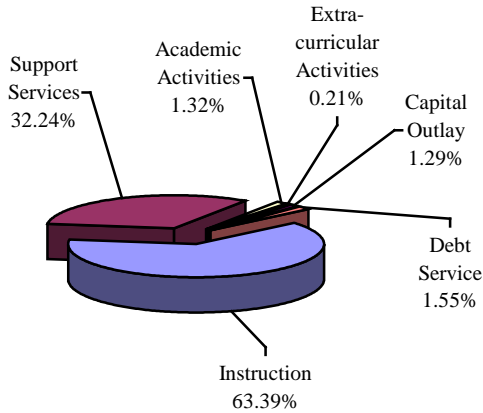
The increase in Instruction disbursements is attributed cost of living raises and step increases for staff, increases in capital outlay for building improvements and debt service increased for debt payments associated with the Certificate of Participation Lease proceeds. The graphs below show the general fund's disbursements for June 30, 2013 and 2012:



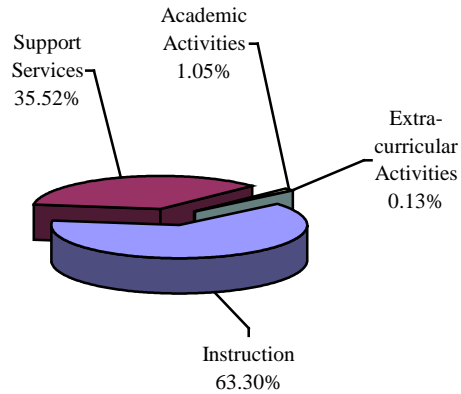
**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**Disbursements - 2013**



**Disbursements - 2012**



***Classroom Facilities Maintenance Fund***

The classroom facilities maintenance fund had receipts of \$128,951 in 2013 an increase of \$3,899 from 2012 receipts. The disbursements of the classroom facilities maintenance fund, which totaled \$45,902 in 2013 decreased \$23,228 from 2012. The net increase in fund balance was \$83,049 or 25.9%.

***Debt Service Fund***

The debt service fund had receipts of \$303,934 in 2013, which is an increase of \$24,502 from 2012 receipts. The disbursements in the debt service fund totaled \$285,852 in 2013, which decreased \$3,470 from 2012. The net increase in fund balance was \$18,082 or 3.3%.

***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 \$387,941 higher than they were in the final budget. Actual disbursements were \$75 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, 2013  
UNAUDITED**

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2013 and 2012:

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
General Obligation Bonds	\$ 1,864,996	\$ 2,069,996
Capital Lease Obligation	<u>2,690,000</u>	<u>1,868,358</u>
Total	<u>\$ 4,554,996</u>	<u>\$ 3,938,354</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 Position - Cash Basis  
June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,424,527</u>
<i>Total Assets</i>	<u><u>\$5,424,527</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$10,871
Debt Service	574,270
Building Maintenance	403,187
State and Federal Grants	10,581
Other Purposes	50,589
Claims	210,137
Unrestricted	<u>4,164,892</u>
<i>Total Net Position</i>	<u><u>\$5,424,527</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, 2013*

	Program Cash Receipts		Nets (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$8,618,740	\$413,614	\$485,303	(\$7,719,823)
Special	3,768,293	151,464	806,721	(2,810,108)
Vocational	654,623	33,671	0	(620,952)
Other	3,745	192	0	(3,553)
Support Services:				
Pupil	1,096,799	0	304,703	(792,096)
Instructional Staff	571,656	0	293,029	(278,627)
Board of Education	13,162	0	0	(13,162)
Administration	1,695,454	0	194,602	(1,500,852)
Fiscal	384,548	0	946	(383,602)
Business	57,820	0	0	(57,820)
Operation and Maintenance of Plant	1,521,616	0	0	(1,521,616)
Pupil Transportation	1,252,233	0	24,272	(1,227,961)
Central	292,531	0	7,200	(285,331)
Operation of Non-Instructional Services:				
Food Service Operation	1,025,172	174,030	769,614	(81,528)
Community Services	119,587	0	108,065	(11,522)
Academic & Subject Oriented Activities	244,574	0	0	(244,574)
Extracurricular Activities	127,397	89,054	0	(38,343)
Capital Outlay	1,535,133	0	316,616	(1,218,517)
Debt Service:				
Principal Retirement	395,000	0	0	(395,000)
Interest and Fiscal Charges	167,947	0	0	(167,947)
Issuance Costs	79,832	0	0	(79,832)
<b>Total</b>	<b>\$23,625,862</b>	<b>\$862,025</b>	<b>\$3,311,071</b>	<b>(19,452,766)</b>
		General Receipts:		
		Property Taxes Levied for:		
		General Purposes		2,974,523
		Debt Service		266,703
		Classroom Facilities		51,594
		Unrestricted Grants and Entitlements		14,118,121
		Lease Proceeds		1,011,642
		Earnings on Investments		7,781
		Other		437,096
		<b>Total General Receipts</b>		<b>18,867,460</b>
		Change in Net Position		(585,306)
		Net Position Beginning of Year		6,009,833
		Net Position End of Year		<b>\$5,424,527</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, 2013*

	General Fund	Classroom Facilities Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,504,476	\$403,187	\$574,270	(\$55,387)	\$3,426,546
<b>Fund Balances</b>					
Restricted:					
Debt Service	\$0	\$0	\$574,270	\$0	\$574,270
State and Federal Grants	0	0	0	10,581	10,581
Building Maintenance	0	403,187	0	0	403,187
Capital Outlay	0	0	0	10,871	10,871
Other Purposes	0	0	0	50,589	50,589
Assigned:					
Public School Support	62,123	0	0	0	62,123
Future Obligations	57,579	0	0	0	57,579
Subsequent Year Appropriations	299,732	0	0	0	299,732
Unassigned (Deficit)	2,085,042	0	0	(127,428)	1,957,614
<b>Total Fund Balances</b>	<b>\$2,504,476</b>	<b>\$403,187</b>	<b>\$574,270</b>	<b>(\$55,387)</b>	<b>\$3,426,546</b>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities - Cash Basis  
June 30, 2013*

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<b>Total Governmental Fund Balances</b>	\$3,426,546
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Governmental activities' net position includes the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.	<u>1,997,981</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$5,424,527</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, 2013*

	General Fund	Classroom Facilities Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$2,974,523	\$51,594	\$266,703	\$0	\$3,292,820
Intergovernmental	14,004,196	76,694	37,231	3,311,071	17,429,192
Earnings on Investments	7,765	0	0	16	7,781
Tuition and Fees	598,941	0	0	0	598,941
Extracurricular Activities	14,871	0	0	0	14,871
Charges for Services	0	0	0	248,213	248,213
Other Receipts	361,685	663	0	74,748	437,096
<i>Total Receipts</i>	<u>17,961,981</u>	<u>128,951</u>	<u>303,934</u>	<u>3,634,048</u>	<u>22,028,914</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	8,090,981	0	0	560,951	8,651,932
Special	2,960,074	0	0	818,053	3,778,127
Vocational	657,492	0	0	0	657,492
Other	3,745	0	0	0	3,745
Support Services:					
Pupil	773,239	0	0	325,957	1,099,196
Instructional Staff	266,816	0	0	305,584	572,400
Board of Education	14,128	0	0	0	14,128
Administration	1,495,210	0	0	207,259	1,702,469
Fiscal	373,436	1,807	9,352	1,520	386,115
Business	31,354	0	0	26,466	57,820
Operation and Maintenance of Plant	1,482,336	44,095	0	0	1,526,431
Pupil Transportation	1,235,127	0	0	24,860	1,259,987
Central	286,075	0	0	7,200	293,275
Operation of Non-Instructional Services:					
Food Service Operation	0	0	0	1,031,656	1,031,656
Community Services	0	0	0	119,693	119,693
Academic & Subject Oriented Activities	244,574	0	0	0	244,574
Extracurricular Activities	38,661	0	0	88,736	127,397
Capital Outlay	237,978	0	0	1,297,155	1,535,133
Debt Service:					
Principal Retirement	190,000	0	205,000	0	395,000
Interest and Fiscal Charges	96,447	0	71,500	0	167,947
Issuance Costs	0	0	0	79,832	79,832
<i>Total Disbursements</i>	<u>18,477,673</u>	<u>45,902</u>	<u>285,852</u>	<u>4,894,922</u>	<u>23,704,349</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(515,692)</u>	<u>83,049</u>	<u>18,082</u>	<u>(1,260,874)</u>	<u>(1,675,435)</u>
<b>Other Financing Sources (Uses)</b>					
Lease Proceeds	0	0	0	1,011,642	1,011,642
Advances In	387,942	0	0	139,149	527,091
Advances Out	(139,149)	0	0	(387,942)	(527,091)
<i>Total Other Financing Sources (Uses)</i>	<u>248,793</u>	<u>0</u>	<u>0</u>	<u>762,849</u>	<u>1,011,642</u>
<i>Net Change in Fund Balances</i>	<u>(266,899)</u>	<u>83,049</u>	<u>18,082</u>	<u>(498,025)</u>	<u>(663,793)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,771,375</u>	<u>320,138</u>	<u>556,188</u>	<u>442,638</u>	<u>4,090,339</u>
<i>Fund Balances End of Year</i>	<u>\$2,504,476</u>	<u>\$403,187</u>	<u>\$574,270</u>	<u>(\$55,387)</u>	<u>\$3,426,546</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, 2013*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$663,793)
 <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>78,487</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$585,306)</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,869,387	\$2,974,523	\$2,974,523	\$0
Intergovernmental	13,508,248	14,003,197	14,003,196	(1)
Earnings on Investments	7,491	7,765	7,765	0
Tuition and Fees	577,771	598,942	598,941	(1)
Other	246,561	255,594	255,595	1
<i>Total Receipts</i>	<u>17,209,458</u>	<u>17,840,021</u>	<u>17,840,020</u>	<u>(1)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	8,019,787	8,124,649	8,079,094	45,555
Special	2,703,154	3,025,936	2,957,605	68,331
Vocational	658,997	861,298	857,917	3,381
Other	0	3,745	3,745	0
Support Services:				
Pupil	745,706	772,712	770,545	2,167
Instructional Staff	253,691	292,464	289,810	2,654
Board of Education	14,002	16,294	14,127	2,167
Administration	1,349,856	1,505,828	1,501,400	4,428
Fiscal	402,248	379,473	377,103	2,370
Business	11,278	17,653	16,410	1,243
Operation and Maintenance of Plant	1,700,664	1,499,673	1,488,891	10,782
Pupil Transportation	1,245,215	1,264,795	1,271,524	(6,729)
Central	257,407	295,803	294,118	1,685
Operation of Non-Instructional Services:				
Academic & Subject Oriented Activities	234,864	244,971	244,574	397
Extracurricular Activities	16,944	39,454	38,661	793
Debt Service:				
Principal Retirement	0	190,000	190,000	0
Interest and Fiscal Charges	0	96,447	96,447	0
<i>Total Disbursements</i>	<u>17,613,813</u>	<u>18,631,195</u>	<u>18,491,971</u>	<u>139,224</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(404,355)</u>	<u>(791,174)</u>	<u>(651,951)</u>	<u>139,223</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Receipts	0	75,245	75,245	0
Advances In	0	0	387,942	387,942
Advances Out	0	0	(139,149)	(139,149)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>75,245</u>	<u>324,038</u>	<u>248,793</u>
<i>Net Change in Fund Balance</i>	<u>(404,355)</u>	<u>(715,929)</u>	<u>(327,913)</u>	<u>388,016</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	2,343,946	2,343,946	2,343,946	0
Prior Year Encumbrances Appropriated	368,743	368,743	368,743	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$2,308,334</u>	<u>\$1,996,760</u>	<u>\$2,384,776</u>	<u>\$388,016</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  
Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$50,034	\$51,594	\$51,594	\$0
Intergovernmental	74,375	76,694	76,694	0
Other	643	663	663	0
<i>Total Receipts</i>	125,052	128,951	128,951	0
<b>Disbursements</b>				
Current:				
Support Services:				
Fiscal	1,914	1,807	1,807	0
Operation and Maintenance of Plant	73,593	67,161	67,161	0
<i>Total Disbursements</i>	75,507	68,968	68,968	0
<i>Net Change in Fund Balance</i>	49,545	59,983	59,983	0
<i>Unencumbered Fund Balance Beginning of Year</i>	317,329	317,329	317,329	0
Prior Year Encumbrances Appropriated	2,809	2,809	2,809	0
<i>Unencumbered Fund Balance End of Year</i>	\$369,683	\$380,121	\$380,121	\$0

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Fund Net Position - Cash Basis  
Proprietary Fund  
June 30, 2013*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,997,981</u>
<i>Total Assets</i>	<u><u>\$1,997,981</u></u>
<b>Net Position</b>	
Restricted for:	
Claims	\$210,137
Unrestricted	<u>1,787,844</u>
<i>Total Net Position</i>	<u><u>\$1,997,981</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 Position - Cash Basis  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
<b>Operating Receipts</b>	
Charges for Services	\$3,692,237
Other	<u>1,013</u>
<i>Total Operating Receipts</i>	<u>3,693,250</u>
<b>Operating Disbursements</b>	
Purchased Services	559,280
Claims	3,053,338
Other	<u>2,145</u>
<i>Total Operating Disbursements</i>	<u>3,614,763</u>
<i>Change in Net Position</i>	78,487
<i>Net Position Beginning of Year</i>	<u>1,919,494</u>
<i>Net Position End of Year</i>	<u><u>\$1,997,981</u></u>

*See accompanying notes to the basic financial statements*

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

*Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Fund  
June 30, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$67,025</u>
<i>Total Assets</i>	<u><u>\$67,025</u></u>
<b>Net Position</b>	
Held on Behalf of Students	<u>\$67,025</u>
<i>Total Net Position</i>	<u><u>\$67,025</u></u>

*See accompanying notes to the basic financial statements*

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 1 - Reporting Entity**

The 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 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 Plan. These organizations are presented in Notes 17 and 18 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. 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, 2013**

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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 position 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 position 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 position 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, 2013**

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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.

**Classroom Facilities Maintenance Fund** This special revenue fund accounts for and reports property taxes and intergovernmental receipts for the maintenance and improvements of School District buildings and facilities.

**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 School 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 position and changes in net position. 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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.

***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, 2013 the School District did not report investments.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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 2013 was \$7,765. The School District also credited interest receipts totaling \$3 and \$13 to the Food Service and Auxiliary Other Governmental Funds, respectively.

***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 School District did not report restricted assets at June 30, 2013.

***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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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.

***Net Position***

Net position is 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 position was 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 position is 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 – Change in Accounting Principle**

For fiscal year 2013, the School District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 – 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 position/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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Note 5 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general and classroom facilities maintenance funds are 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)).

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, 2013 for the General Fund and Classroom Facilities Maintenance Special Revenue Fund represents the legally adopted budget for the these funds 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 School 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	Classroom Facilities Maintenance Fund
Change in Fund Balance	(\$266,899)	\$83,049
Public School Support Fund	(3,435)	0
Encumbrances	(57,579)	(23,066)
Change in Fund Balance - Budgetary Basis	(\$327,913)	\$59,983

**Note 6 – 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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;
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) above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

At fiscal year end, the carrying amount of all School District deposits was \$5,491,552 and \$5,366,705 of the School District's bank balance of \$5,616,705 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.

***Investments***

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

**Note 7 - 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2013 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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$130,977,360	86.68%	\$130,422,570	88.92%
Public Utility Personal Property	20,126,200	13.32%	16,259,370	11.08%
<b>Total</b>	<b>\$151,103,560</b>	<b>100.00 %</b>	<b>\$146,681,940</b>	<b>100.00 %</b>
Full Tax Rate per \$1,000 of assessed valuation	\$31.60			

**Note 8 - Interfund Advances**

At June 30, 2013 the following advances were made:

Advances To	Advances From		Total
	General Fund	Other Governmental Funds	
General Fund	\$ -	\$ 387,942	\$ 387,942
Other Governmental Funds	139,149	-	139,149
<b>Total</b>	<b>\$ 139,149</b>	<b>\$ 387,942</b>	<b>\$ 527,091</b>

During the year, the General Fund advanced \$66,034 to the Lunchroom Fund, \$1,401 to Other Local Funds, \$8,805 to Miscellaneous State Funds, \$5,207 to the Race to the Top Fund, \$25,764 to the Special Education Fund, \$10,287 to the Title I Fund, \$4,365 to the Title I-D Fund and \$17,286 to the Teacher Incentive Fund. These advances were not repaid during the year. Additionally, Other Governmental Funds repaid prior year advances totaling \$387,942 to the General Fund.

All advances were to cover costs in the funds where receipts were not received by June 30, 2013. These advances will be repaid once the anticipated receipts are received. All advances are expected to be repaid within one year.

**Note 9 - Risk Management**

**A. Workers' Compensation**

For fiscal year 2013, 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Note 9 - Risk Management (Continued)**

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.

**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 2013, the School District contracted with the Ohio School Plan for the following insurance coverage:

Type of Coverage	Deductible	Coverage
Property	\$1,000	\$56,197,899
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 89.65% 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, 2013 and 2012 are as follows:

	Balance at June 30, 2013	Balance at June 30, 2012
Cash and Cash Equivalents:	\$1,997,981	\$1,919,494
Claims Liability at June 30:	402,300	371,200

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2013, 2012, and 2011 were \$919,300, \$857,771, and \$1,012,495, 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, 2013**

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

*School Employees Retirement System*

Plan Description: The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$345,207, \$372,374 and \$246,822, respectively, which equaled the required contributions each fiscal 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, 2013, 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 Revised Code Chapter 3307 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 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$70,715, \$65,982, and \$77,884, respectively which equaled the required contributions each year.

***School Employees Retirement System***

**Plan Description:** The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy:** State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525.

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

The School District contributions assigned to health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$34,551, \$47,374, and \$61,702, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$19,500, \$21,991, and \$15,884, respectively, which equaled the required contributions each fiscal year.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Note 12 - Debt**

The changes in the School District's long-term debt during fiscal year 2013 were as follows:

	Outstanding June 30, 2012	Additions	Deletions	Outstanding June 30, 2013	Due Within One Year
<b>Governmental Activities</b>					
2008 General Obligation					
Refunding Bonds - 4% - 4.4%	\$2,069,996	\$0	(\$205,000)	\$1,864,996	\$215,000
2012 Certificate of Participation					
Lease - 6.5%	1,868,358	1,011,642	(190,000)	2,690,000	160,000
<b>Total</b>	<b>\$3,938,354</b>	<b>\$1,011,642</b>	<b>(\$395,000)</b>	<b>\$4,554,996</b>	<b>\$375,000</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 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>			<b>Certification of Participation</b>		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$215,000	\$63,100	\$278,100	\$160,000	\$83,075	\$243,075
2015	220,000	54,400	274,400	165,000	79,825	244,825
2016	230,000	45,400	275,400	170,000	76,475	246,475
2017	240,000	36,000	276,000	170,000	72,438	242,438
2018	250,000	26,200	276,200	175,000	67,475	242,475
2019-2023	709,996	408,004	1,118,000	960,000	252,938	1,212,938
2024-2027	0	0	0	890,000	71,713	961,713
<b>Total</b>	<b>\$1,864,996</b>	<b>\$633,104</b>	<b>\$2,498,100</b>	<b>\$2,690,000</b>	<b>\$703,939</b>	<b>\$3,393,939</b>

**NEW LEXINGTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Note 13 – Leases**

The School District entered into a three year lease-purchase financing agreement totaling \$408,300 with Apple Financial Services to finance the acquisition of computer equipment and professional services. The lease requires the School District to make payments of principal and interest beginning July 15, 2012. The School District General Fund along with the Race to the Top, IDEA Part B, Title I and Miscellaneous Federal Grant Special Revenue Funds will pay the respective principal and interest payments. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase financing agreement:

Year	Principal	Interest	Total
2014	\$133,645	\$5,127	\$138,772
2015	136,185	2,588	138,773
Total	\$269,830	\$7,715	\$277,545

**Note 14 – 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.

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 the capital improvements set aside. Disclosure of this information is required by State statute.

	Capital Improvements	Budget Stabilization
Set-Aside Balance as of June 30, 2012	\$0	\$695,166
Current Year Set-aside Requirement	311,489	0
Offsets	(126,138)	0
Qualifying Disbursements	(325,534)	0
Total	(\$140,183)	\$695,166
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	\$695,166
Set-aside Balance as of June 30, 2013	\$0	\$0

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Note 14 – Set-Aside Requirements (Continued)**

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 2013.

**Note 15 – Significant Commitments**

**Contractual Commitments**

The School District had the following significant contractual commitment at June 30, 2013:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Disbursed at June 30, 2013</u>	<u>Balance at June 30, 2013</u>
H.B. 264 Improvements	Johnson Controls	\$2,789,297	\$2,789,297	\$0

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<u>Governmental Funds</u>	
General	\$ 57,579
Classroom Facilities Maintenance	23,066
Other Governmental Funds	294,561
Total Governmental Funds	<u>375,206</u>
Total	<u><u>\$ 375,206</u></u>

**Note 16 – Contingent Liabilities**

**A. Litigation**

The School District is currently a party to legal proceedings. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the School District's financial conditions.

**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.



**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17 - Jointly Governed Organizations**

**A. Southeastern 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. 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 \$475 to the Coalition during fiscal year 2013.

**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 with is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$5,502 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 18 – 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b>				
<i>Pass-Through Grantor</i>				
<u>Program Title</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
School Breakfast Program	2012/2013	10.553	\$ 6,586	\$ 6,586
National School Lunch Program	2012/2013	10.555	37,320	37,320
Non-Cash Assistance Subtotal			<u>43,906</u>	<u>43,906</u>
<i>Cash Assistance:</i>				
School Breakfast Program	2012/2013	10.553	249,000	249,000
National School Lunch Program	2012/2013	10.555	468,604	468,604
Summer Food Service Program for Children	2012/2013	10.559	37,564	37,564
Cash Assistance Subtotal			<u>755,168</u>	<u>755,168</u>
Total Child Nutrition Cluster			<u>799,074</u>	<u>799,074</u>
Total U.S. Department of Agriculture			799,074	799,074
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2012	84.010	263,903	226,792
	2013		712,225	803,364
Total Title I Grants to Local Educational Agencies			<u>976,128</u>	<u>1,030,156</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	2012	84.027	165,557	86,689
	2013		351,372	394,162
Total Special Education - Grants to States			<u>516,929</u>	<u>480,851</u>
Special Education Preschool Grants	2013	84.173	6,317	6,317
Total Special Education Cluster			<u>523,246</u>	<u>487,168</u>
Twenty-First Century Grants	2012	84.287	102,516	105,339
	2013		119,713	121,554
Total Twenty-First Century Grants			<u>222,229</u>	<u>226,893</u>
Education Technology State Grant	2012	84.318	357	122
	2013		2,888	2,888
Total Education Technology State Grants			<u>3,245</u>	<u>3,010</u>
Rural and Low Income	2012	84.358		465
	2013		44,074	46,774
Total Rural and Low Income			<u>44,074</u>	<u>47,239</u>
Improving Teacher Quality State Grants	2012	84.367	42,832	38,319
	2013		102,267	107,970
Total Improving Teacher Quality State Grants			<u>145,099</u>	<u>146,289</u>
<i>Teacher Incentive Fund Cluster:</i>				
Teacher Incentive Fund	2013	84.374	18,305	56,689
	2012		288	1,317
Total Teacher Incentive Fund			<u>18,593</u>	<u>58,006</u>
<i>ARRA - Teacher Incentive Fund, Recovery Act:</i>				
Teacher Incentive Fund Grant	2012	84.385	16,453	36,129
PD Allocation Grant	2013		1,767	1,767
TIF Supplemental	2013		5,676	5,676
Year 2 Payout Allocation	2013		78,620	78,620
Assessment Literacy PD	2013		3,567	3,567
OTES Supplemental	2013		2,996	2,996
Total ARRA - Teacher Incentive Fund, Recovery Act			<u>105,512</u>	<u>128,755</u>
Teacher Incentive Fund Cluster Total			124,105	186,761
<i>ARRA - Race-to-the-Top Incentive Grants, Recovery Act:</i>				
Race to the Top	2012	84.395	17,398	17,765
Race to the Top	2013		121,992	122,541
Entry Year	2012		2,100	2,100
Ohio Advanced Placement Network	2013		2,640	2,640
FAMS Grant	2013		17,955	49,573
Resident Educator Grant	2013		2,100	2,100
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>164,185</u>	<u>196,719</u>
Education Jobs Grant	2013	84.410	97,352	96,196
Total U.S. Department of Education			2,299,663	2,420,431
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>				
<i>Direct Program:</i>				
Medicaid Assistance Program	2013	93.778	38,348	38,348
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,137,085</u></b>	<b><u>\$ 3,257,853</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, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports 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 program that benefited from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 17, 2013, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider a significant deficiency in internal control. We consider finding 2013-002 to be a significant deficiency.

***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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 17, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the New Lexington City School District's, Perry County, Ohio (the School District), compliance with the applicable 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, 2013. The *Summary of Auditor's Results* in the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Basis for Qualified Opinion on the Nutrition Cluster***

As described in finding 2013-004 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding special tests and provisions applicable to its Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

***Qualified Opinion on Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Nutrition Cluster* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Nutrition Cluster for the year ended June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. This finding did not require us to modify our compliance opinion on the major federal program.

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

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.



*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's applicable 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's 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 and Questioned Costs as item 2013-004 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be a significant deficiency.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 17, 2013

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified - Nutrition Cluster  Unmodified – Title I and Special Education Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster – CFDA #'s 10.553, 10.555 and 10.559  Title I – CFDA # 84.010  Special Education Cluster – CFDA #'s 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance**

Ohio Rev. Code Section 117.38 provides, in part, 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 School District will continue to prepare financial statements in accordance with the GASB 34 format on the cash basis of accounting and not in accordance with GAAP.

**FINDING NUMBER 2013-002**

**Significant Deficiency**

Approved budgetary documents (i.e., the amended certificates of estimated resources and the appropriation resolutions) should be utilized to record budgeted amounts on the Budget and Actual statements of the School District during the compilation of the year-end financial statements.

During the preparation of the financial statements, incorrect amounts were pulled from the budgetary documents to record the original and final budgeted amounts on the Classroom Facilities Maintenance Fund budgetary statement, we noted the following misstatements:

- Final Estimated Receipts were understated by \$2,813. Specifically, Property Tax Receipts were overstated by \$3,548; Intergovernmental Receipts were understated by \$6,337; and Other Receipts were understated by \$24.
- Original Appropriations were understated by \$15,749. Specifically, appropriations for Operation and Maintenance of Plant Disbursements were understated by \$15,749.
- Final Appropriations were understated by \$19,464. Specifically, appropriations for Operation and Maintenance of Plant Disbursements were understated by \$19,464.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013  
(Continued)**

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

**FINDING NUMBER 2013-002 (Continued)**

**Significant Deficiency (Continued)**

These adjustments, with which management agrees, have been posted to the School District's Classroom Facilities Maintenance Fund budgetary statement.

We recommend that additional care be taken to ensure that the appropriate amounts are used from the final amended certificate of estimated resources and final appropriation resolution when preparing the School District's budgetary statements.

**Officials' Response:**

Management has taken the necessary steps to ensure the financial statements present the final appropriations and estimated receipts authorized.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2013-003
<b>CFDA Title and Number</b>	Title I, Part A – CFDA #84.010
<b>Federal Award Number / Year</b>	2012-2013
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

**Noncompliance, Significant Deficiency and Questioned Cost – Activities Allowed or Unallowed; Allowable Costs/Cost Principles**

2 C.F.R. Part 225, Appendix B (8)(g)(2) states severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost in accordance with their indirect cost allocation plan.

Similarly, question 3-6 of ASMB C-10, an A-87 Implementation Guide for State, Local, and Indian Tribal Governments developed by the U.S. Department of Health and Human Services, clarifies that employee severance payments must be treated as an indirect cost even if the employee worked on the same Federal program during their entire employment.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2013-003 (Continued)**

**Noncompliance, Significant Deficiency and Questioned Costs – 2 C.F.R. Part 225, Appendix B (8)(g)(2) – Activities Allowed or Unallowed; Allowable Costs/Cost Principles (Continued)**

We noted the School District charged 100% of a Title I teacher's severance pay in the amount of \$15,943 to Title I, Part A.

As a result of the matter noted above, we have identified a total of \$15,943 of known questioned costs for the severance payment of the Title I teacher allocated to Title I, Part A.

We recommend the School District charge severance payments to the General Fund unless an indirect cost allocation plan is developed, at which time severance payments may be allocated to all funds of the School District.

**Officials' Response:**

The District paid the severance pay out of Title I because the teacher was a 100% Title I teacher. This was a mistake on the part of the District and the funds have been returned to the Title I Grant Fund.

<b>Finding Number</b>	2013-004
<b>CFDA Title and Number</b>	Nutrition Cluster - CFDA #10.553, 10.555, and 10.559
<b>Federal Award Number / Year</b>	2012-2013
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Special Tests and Provisions**

7 C.F.R. Part 245.6a establishes procedures for verifying free and reduced lunch applications. By November 15th of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st. LEAs must select the sample by one of the following methods:

- a. **Standard Sample Size.** The lesser of 3 percent or 3000 of the approved applications on file as of October 1, selected from error-prone applications. For this purpose, error prone applications are those showing household incomes within \$100 monthly or \$1,200 annually of the income eligibility guidelines for free and reduced price meals.

**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2013-004 (Continued)**

**Noncompliance and Material Weakness – 7 C.F.R. Part 245.6a – Special Tests and Provisions (Continued)**

b. Alternative Sample Sizes.

- (1) The lesser of 3 percent or 3,000 applications selected at random from approved applications on file as of October 1 of the school year, or
- (2) The sum of: (a) the lesser of 1 percent of all applications identified as error-prone or 1,000 error-prone applications, and (b) the lesser of 1/2 of 1 percent of, or 500, approved applications in which the household provided, in lieu of income information, a case number showing participation in the SNAP, TANF, or FDPIR.
- (3) The use of alternative sample sizes is available only as follows:
  - (a) Any LEA may qualify if its non-response rate for the preceding school year's verification was less than 20 percent; or
  - (b) An LEA with more than 20,000 children approved by application for free and reduced price meals may qualify if its non-response rate for the preceding year had improved over the rate for the second preceding year by at least 10 percent.

"Non-response rate" is defined as the percentage of approved household applications selected for verification for which the LEA has not obtained verification information.

For fiscal year 2013, the School District selected 3 percent of applications for the verification process as required. For two of the eight applications selected for verification (25 percent), the School District did not obtain the proper documentation to determine the students were eligible for free or reduced lunch. Additionally, the School District did not properly make changes to the eligibility status based on this non-documentation.

We recommend the School District follow-up with the verification process and in the event they do not receive proper documentation to validate a free or reduced lunch determination, make the necessary changes to the eligibility status by denying the students application.

**Officials' Response:**

The District has experienced a lot of turnover within the Management of the food service department. The District has implemented better procedures and guidelines with the verification process within the Nutrition Cluster, beginning with fiscal year 2014.

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**NEW LEXINGTON CITY SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2012-01	A noncompliance citation was issued under Ohio Rev. Code Section 117.38 and 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 2013-001.
2012-02	A noncompliance citation was issued under Ohio Rev. Code Section 5705.39, 5705.40, and 5705.36(A)(4) due to appropriations not being specifically approved by the Board of Education.	Yes	
2012-03	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds prior to the commitment being incurred.	No	Partially Corrected; this item is repeated in the Management Letter.
2012-04	A noncompliance citation and material weakness was issued for cash management requirements with the Title I, Part A Cluster, the Education Jobs Grant and the Special Education Cluster.	Yes	

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the New Lexington City School District, Perry County, Ohio, has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on August 20, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 17, 2013

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# 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 31, 2013**