



Mary Taylor, CPA
Auditor of State

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

New Knoxville Local School District
Auglaize County
345 S. Main Street P.O. Box 476
New Knoxville, Ohio 45871

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, (the School District), as of and for the fiscal years ended June 30, 2010 and June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, as of June 30, 2010 and June 30, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Mary Taylor, CPA
Auditor of State

December 8, 2010

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED**

The discussion and analysis of New Knoxville Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010 and June 30, 2009, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

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

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

Fund financial statements provide a greater 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 a single column. For New Knoxville Local School District, during fiscal year 2010, the General Fund is the most significant fund; while during fiscal year 2009, the General Fund and the Ohio School Facilities Capital Project Fund are the most significant funds.

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during the fiscal year, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting The School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund during fiscal year 2010; and the General Fund and the Ohio School Facilities Capital Project Fund during fiscal year 2009.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

The School District As A Whole

Table 1 provides a summary of the School District's net assets:

Fiscal Year 2010 and Fiscal Year 2009

	Table 1		
	Net Assets		
	Governmental Activities		Variance
2010	2009		
Assets:			
Total Assets	<u>\$3,665,771</u>	<u>\$3,674,383</u>	<u>(\$ 8,612)</u>
Net Assets:			
Restricted	979,451	1,202,120	(222,669)
Unrestricted	<u>2,686,320</u>	<u>2,472,263</u>	<u>214,057</u>
Total Net Assets	<u>\$3,665,771</u>	<u>\$3,674,383</u>	<u>(\$ 8,612)</u>

Restricted net assets decreased as monies were spent on the Ohio School Facilities Commission project in fiscal year 2010.

Unrestricted net assets increased due to decreased costs of special education instruction paid from the General Fund in fiscal year 2010. In fiscal year 2010, additional resources were received through the American Reinvestment and Recovery Act for this instruction.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

Fiscal Year 2009 and Fiscal Year 2008

	Governmental Activities		Variance
	2009	2008	
Assets:			
Total Assets	\$3,674,383	\$5,346,953	(\$1,672,570)
Net Assets:			
Restricted	1,202,120	3,763,051	(2,560,931)
Unrestricted	2,472,263	1,583,902	888,361
Total Net Assets	\$3,674,383	\$5,346,953	(\$1,672,570)

Cash and cash equivalents and restricted net assets decreased as monies were spent on the Ohio School Facilities Commission project in fiscal year 2009. At June 30, 2008, the School District had cash deficits in restricted funds which were eliminated in fiscal year 2009; therefore, an increase is reported in unrestricted net assets.

Table 2 reflects the change in net assets:

Fiscal Year 2010 and Fiscal Year 2009

**Table 2
Change in Net Assets**

	Governmental Activities		Variance
	2010	2009	
Receipts:			
Program Receipts:			
Charges for Services	\$ 437,431	\$ 460,665	(\$ 23,234)
Operating Grants, Contributions, and Interest	503,464	379,658	123,806
Capital Grants and Contributions		3,149	(3,149)
Total Program Receipts	940,895	843,472	97,423
General Receipts:			
Property Taxes Levied for General Purposes	995,150	1,029,431	(34,281)
Property Taxes levied for Debt Service	237,539	234,167	3,372
Property Taxes Levied for Permanent Improvements	33,615	34,942	(1,327)
Income Taxes	599,308	658,634	(59,326)
Grants and Entitlements	2,199,362	2,243,810	(44,448)
Interest	23,452	54,906	(31,454)
Gifts and Donations		88,855	(88,855)
Miscellaneous	35,642	55,195	(19,553)
Loans Issued		900,000	(900,000)
Total General Receipts	4,124,068	5,299,940	(1,175,872)
Total Receipts	5,064,963	6,143,412	(1,078,449)
Disbursements:			
Instruction:			
Regular	2,127,560	2,039,929	(87,631)
Special	376,461	355,741	(20,720)

(Continued)

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

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

	Governmental Activities		Variance
	2010	2009	
Disbursements: (Continued)			
Support Services:			
Pupils	70,320	67,144	(3,176)
Instructional Staff	164,627	143,407	(21,220)
Board of Education	17,618	32,523	14,905
Administration	443,174	426,719	(16,455)
Fiscal	155,845	160,799	4,954
Operation and Maintenance of Plant	452,958	420,336	(32,622)
Pupil Transportation	156,501	90,490	(66,011)
Central	88,409	68,398	(20,011)
Non-Instructional Services	136,393	170,286	33,893
Extracurricular Activities	288,353	277,973	(10,380)
Capital Outlay	166,329	3,247,652	3,081,323
Debt Service:			
Principal Retirement	254,109	160,000	(94,109)
Interest and Fiscal Charges	174,918	144,988	(29,930)
Issuance Costs		9,597	9,597
Total Disbursements	<u>5,073,575</u>	<u>7,815,982</u>	<u>2,742,407</u>
Decrease in Net Assets	(8,612)	(1,672,570)	1,663,958
Net Assets at Beginning of Year	<u>3,674,383</u>	<u>5,346,953</u>	<u>(1,672,570)</u>
Net Assets at End of Year	<u>\$3,665,771</u>	<u>\$3,674,383</u>	<u>(\$ 8,612)</u>

Program receipts increased 12 percent in fiscal year 2010. Program receipts are primarily represented by restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Charges for services decreased from a decrease in open enrollment students. Operating grants, contributions, and interest increased from additional IDEA B grants received in fiscal year 2010 through the American Reinvestment and Recovery Act.

General receipts represented 81 percent of the School District's total receipts in fiscal year 2010. In June 2009, the School District received donations, in the amount of \$88,855. Also, in fiscal year 2009, the School District obtained a loan, in the amount of \$900,000, to fund the locally funded initiatives portion of the Ohio School Facilities Commission project.

Disbursements for the instructional staff program increased from hiring an additional educational aide. The board of education program disbursements decreased; the School District incurred costs for attorney fees regarding the construction and for various school issues in the prior fiscal year. Natural gas and electricity costs increased as reflected in the operation and maintenance of plant program. The increase in pupil transportation program costs occurred from the purchase of a school bus. Disbursements within the central program included costs associated with computer technology services.

Non-instructional services disbursements decreased in fiscal year 2010. Additional costs were incurred in fiscal year 2009 from the purchase of more ala carte and convenience food items for resale rather than purchasing commodities and from the purchase and installation of a new freezer. Disbursements for capital outlay decreased from finalizing the construction of the addition and renovation of the instructional building. During fiscal year 2010, the School District made the first principal payment on the 2009 bank loan for the locally funded initiatives portion of the Ohio School Facilities Commission project.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

Fiscal Year 2009 and Fiscal Year 2008

**Table 2
Change in Net Assets**

	Governmental Activities		Variance
	2009	2008	
Receipts:			
Program Receipts:			
Charges for Services	\$ 460,665	\$ 446,782	\$ 13,883
Operation Grants, Contributions, and Interest	379,658	355,259	24,399
Capital Grants and Contributions	3,149	1,708	1,441
Total Program Receipts	<u>843,472</u>	<u>803,749</u>	<u>39,723</u>
General Receipts:			
Property Taxes levied for General Purposes	1,029,431	1,049,738	(20,307)
Property Taxes levied for Debt Service	234,167	222,956	11,211
Property Taxes levied for Permanent Improvements	34,942	35,828	(886)
Income Taxes	658,634	595,420	63,214
Grants and Entitlements	2,243,810	5,943,357	(3,699,547)
Interest	54,906	247,926	(192,390)
Gifts and Donations	88,855		88,855
Miscellaneous	55,195	53,009	2,186
Loans Issued	900,000		900,000
Total General Receipts	<u>5,299,940</u>	<u>8,147,604</u>	<u>(2,847,664)</u>
Total Receipts	<u>6,143,412</u>	<u>8,951,353</u>	<u>(2,807,941)</u>
Disbursements:			
Instruction:			
Regular	2,039,929	1,988,008	(51,921)
Special	355,741	295,883	(59,858)
Support Services:			
Pupils	67,144	74,561	7,417
Instructional Staff	143,407	149,515	6,108
Board of Education	32,523	26,300	(6,223)
Administration	426,719	408,327	(18,392)
Fiscal	160,799	128,444	(32,355)
Operation and Maintenance of Plant	420,338	346,978	(73,358)
Pupil Transportation	90,490	99,545	9,055
Central	68,398	57,468	(10,930)
Non-instructional Services	170,286	109,970	(60,316)
Extracurricular Activities	277,973	267,006	(10,967)
Capital Outlay	3,247,652	5,609,387	2,361,735
Debt Service:			
Principal Retirement	160,000	70,000	(90,000)
Interest and Fiscal Charges	144,988	150,015	5,027
Issuance Costs	9,597		(9,597)
Total Disbursements	<u>7,815,982</u>	<u>9,781,407</u>	<u>1,965,425</u>
Decrease in Net Assets	<u>(1,672,570)</u>	<u>(830,054)</u>	<u>(842,516)</u>
Net Assets at Beginning of Year	<u>5,346,952</u>	<u>6,177,007</u>	<u>(830,054)</u>
Net Assets at End of Year	<u>\$3,674,383</u>	<u>\$5,346,953</u>	<u>(\$1,672,570)</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

Program receipts increased slightly in fiscal year 2009. Program receipts are primarily represented by restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Program receipts for charges for services increased from an increase in open enrollment students. Operating grants, contributions, and interest program receipts increased from additional federal Rural Education Achievement Program grants received in fiscal year 2009.

General receipts in fiscal year 2009 represent 86 percent of the School District's total receipts in fiscal year 2009. Grants and entitlements decreased significantly from the School District receiving no Ohio School Facilities Commission grants in fiscal year 2009. A significant change in interest was due to declining economic conditions. In June 2009, the School District received donations, in the amount of \$88,855, from an estate with no stipulations as to how to spend the money. The School District obtained a loan, in the amount of \$900,000, to fund the locally funded initiatives portion of the Ohio School Facilities Commission project.

Special instruction disbursements increased from excess costs increasing over 321 percent due to an increase in services provided by the Auglaize County Educational Service Center and payment for services from other school districts provided to resident handicapped students. In fiscal year 2009, the School District paid an estimate of the fiscal year 2009 excess costs that was significantly higher. Disbursements for pupils support services decreased from a reduction in health care benefits paid for the employee due to changing the benefits to their spouse's plan. The board of education disbursements increased from attorney fees associated with construction and various school issues. Costs associated with the biannual audit of the School District increased disbursements in the fiscal support services program. Natural gas and electricity increased significantly for the heating and lighting of the instructional building and modularity in the operation and maintenance of facilities support services program. During construction of the addition, one of the electrical meters was not properly installed and a true-up invoice was paid for estimated usage while construction was in progress during fiscal years 2008 and 2009. Although fuel costs increased for the bus fleet, the School experienced a decrease within the pupil transportation program from a decrease in the costs of bus repairs. Disbursements within the central support services program included costs associated with computer technology services. Non-instructional disbursements increased from an increase in the purchase of food for resale and the purchase and installation of a new freezer. During fiscal year 2009, the lunchroom purchased more ala carte and convenience food items rather than purchasing commodities. Disbursements for capital outlay decreased from finalizing the construction of the addition and renovation of the existing instructional building. During fiscal year 2009, the School District made the first principal payment on the 2007 OSFC building general obligation bonds.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

Fiscal Year 2010 and Fiscal Year 2009

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$2,127,560	\$2,039,929	\$1,820,550	\$1,809,169
Special	376,461	355,741	73,655	44,976
Vocational			(15,200)	(15,085)
Support Services:				
Pupils	70,320	67,144	70,320	67,144
Instructional Staff	164,627	143,407	164,627	143,407
Board of Education	17,618	32,523	17,618	32,523
Administration	443,174	426,719	443,174	426,719
Fiscal	155,845	160,799	155,845	160,799
Operation and Maintenance of Plant	452,958	420,336	441,998	420,336
Pupil Transportation	156,501	90,490	147,186	77,746
Central	88,409	68,398	78,836	57,398
Non-instructional Services	136,393	170,286	(37,890)	23,285
Extracurricular Activities	288,353	277,973	176,605	161,856
Capital Outlay	166,329	3,247,652	166,329	3,247,652
Debt Service:				
Principal Retirement	254,109	160,000	254,109	160,000
Interest and Fiscal Charges	174,918	144,988	174,918	144,988
Issuance Costs		9,597		9,597
Total Disbursements	\$5,073,575	\$7,815,982	\$4,132,680	\$6,972,510

The above table indicates that 19 percent of the cost of services in fiscal year 2010 was financed through user charges and grants awarded for specific programs compared to 11 percent in fiscal year 2009. The remaining 81 percent of the total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

The most significant program receipts from restricted grants are associated with special instruction and vocational instruction programs. In fiscal year 2010, the School District received additional IDEA B grants to fund special education instruction. Non-instructional services (which consist of food service) were fully funded in fiscal year 2010 through charges for services and federal and state funds for providing meals to students. Other material program receipts were received for extracurricular programs (consisting of sport-related and trip charges that are received to finance these activities).

Fiscal Year 2009 and Fiscal Year 2008

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$2,039,929	\$1,988,008	\$1,809,169	\$1,775,050
Special	355,741	295,883	44,976	16,869
Vocational			(15,085)	(12,906)

(Continued)

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

**Table 3
Governmental Activities
(Continued)**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Support Services:				
Pupils	67,144	74,561	67,144	69,561
Instructional Staff	143,407	149,515	143,407	149,515
Board of Education	32,523	26,300	32,523	26,300
Administration	426,719	408,327	426,719	408,327
Fiscal	160,799	128,444	160,799	128,444
Operation and Maintenance of Plant	420,336	346,978	420,336	336,019
Pupil Transportation	90,490	99,545	77,746	95,335
Central	68,398	57,468	57,398	51,468
Non-instructional Services	170,286	109,970	23,285	(19,756)
Extracurricular Activities	277,973	267,006	161,856	124,030
Capital Outlay	3,247,652	5,609,387	3,247,652	5,609,387
Debt Service:				
Principal Retirement	160,000	70,000	160,000	70,000
Interest and Fiscal Charges	144,988	150,015	144,988	150,015
Issuance Costs	9,597		9,597	
Total Disbursements	\$7,815,982	\$9,781,407	\$6,972,510	\$8,977,658

The above table indicates that only 11 percent of the cost of services is financed through user charges and grants awarded for specific programs. The remaining 89 percent of the total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

The most significant program receipts from restricted grants are associated with special instruction and vocational instruction. Other material program receipts were received for non-instructional services (which consists of food service) and extracurricular programs (consisting of sport-related and trip charges that are received to finance these activities). Food service also receives federal and state funds for providing meals to students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. During fiscal year 2010, the School District's major governmental fund is the General Fund. Fund balance in the General Fund increased by 8 percent from receipts exceeding disbursements. Receipts decreased by 8 percent in fiscal year 2010 principally from the State funding a portion of Foundation through the American Reinvestment and Recovery Act. These receipts were recorded in special revenue funds. Receipts also decreased from the School District receiving a large donation in fiscal year 2009. Due to a portion of the General Fund costs being funded by federal funds recorded in special revenue funds in fiscal year 2010, disbursements increased less than 1 percent.

During fiscal year 2009, the School District's major governmental funds are the General Fund and the Ohio School Facilities capital projects fund. Fund balance in the General Fund increased by 7 percent from receipts exceeding disbursements. Receipts increased by 9 percent from the prior fiscal year; however, there was only a 6 percent increase in disbursements. The Ohio School Facilities capital projects fund balance decreased as construction was finalized on the renovation of the instructional building in fiscal year 2009.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
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(Continued)**

General Fund Budgeting Highlights

The School District prepares an annual budget of receipts and disbursements for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The School District's most significant budgeted fund is the General Fund.

For receipts, changes from the original budget to the final budget as well as from the final budget to actual receipts were not significant.

For fiscal year 2010 disbursements, there was no change from the original budget to the final budget. The change from the final budget to actual disbursements was a decrease of 34 percent. The School District anticipated a significant donation to be used for capital improvements; however, did not receive the donation. In all other functions, the School District over-budgeted so that appropriation modifications would not be necessary throughout the year.

For fiscal year 2009, the increase from the original budgeted disbursements to the final budgeted disbursements was associated with salaries based on the new labor agreement, excess costs, attorney fees, audit costs, utility costs, and bus fuel. The change from the final budget to actual disbursements was a decrease of 11 percent. Actual costs relating to salaries and related fringe benefits did not meet the revised estimates. Repairs to the instructional building, equipment purchases, and bus repairs were either less than the estimated amount or did not occur.

Debt Administration

At June 30, 2010, the School District's outstanding debt included general obligation bonds and loans for construction of additions to school facilities, in the amount of \$3,414,765 and \$825,891, respectively. At June 30, 2009, the School District's outstanding debt included general obligation bonds and loans for construction of additions to school facilities, in the amount of \$3,594,765 and \$900,000, respectively. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

Current Issues

For fiscal year 2011, the pay increase per the negotiated agreement is 2.75 percent. The School District has been notified that health care premiums will increase by 10 percent in January 2011. Income tax receipts are expected to remain the same for fiscal year 2011 as the amount received in fiscal year 2010 was based on estimates provided by the Ohio Department of Taxation. The amount of these receipts is equivalent to the actual amount received in fiscal year 2008. A portion of the Foundation receipts paid by the State have been supplanted with federal stimulus dollars and the total receipts between the two sources of receipts will stay relatively the same for fiscal year 2011.

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Marcia Wierwille, Treasurer, 345 South Main Street, New Knoxville, Ohio 45871.

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,665,771</u></u>
Net Assets:	
Restricted for:	
Debt Service	272,396
Capital Projects	292,153
Other Purposes	396,840
Setasides	18,062
Unrestricted	<u>2,686,320</u>
Total Net Assets	<u><u>\$3,665,771</u></u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets
Disbursements	Charges for Services	Operating Grants, Contributions, and Interest		Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,127,560	\$198,155	\$108,855	(\$1,820,550)
Special	376,461		302,806	(73,655)
Vocational			15,200	15,200
Support Services:				
Pupils	70,320			(70,320)
Instructional Staff	164,627			(164,627)
Board of Education	17,618			(17,618)
Administration	443,174			(443,174)
Fiscal	155,845			(155,845)
Operation and Maintenance of Plant	452,958		10,960	(441,998)
Pupil Transportation Central	156,501 88,409	3,672	5,643 9,573	(147,186) (78,836)
Noninstructional Services	136,393	126,431	47,852	37,890
Extracurricular Activities	288,353	109,173	2,575	(176,605)
Capital Outlay	166,329			(166,329)
Debt Service:				
Principal Retirement	254,109			(254,109)
Interest and Fiscal Charges	174,918			(174,918)
Total Governmental Activities	<u>\$5,073,575</u>	<u>\$437,431</u>	<u>\$503,464</u>	<u>(4,132,680)</u>
 General Receipts:				
Property Taxes Levied for:				
General Purposes				995,150
Debt Service				237,539
Permanent Improvements				33,615
Income Taxes				599,308
Grants and Entitlements not Restricted to Specific Programs				2,199,362
Interest				23,452
Miscellaneous				35,642
Loans Issued				-
Total General Receipts				<u>4,124,068</u>
Change in Net Assets				(8,612)
Net Assets at Beginning of Year				<u>3,674,383</u>
Net Assets at End of Year				<u>\$3,665,771</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,686,320	\$961,389	\$3,647,709
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	18,062		18,062
Total Assets	<u>2,704,382</u>	<u>961,389</u>	<u>3,665,771</u>
Fund Balances:			
Reserved for Textbooks	4,399		4,399
Reserved for Budget Stabilization	13,663		13,663
Reserved for Encumbrances	76,291	14,632	90,923
Unreserved, Reported in:			
General Fund	2,610,029		2,610,029
Special Revenue Funds		382,208	382,208
Debt Service Fund		272,396	272,396
Capital Projects Funds		292,153	292,153
Total Fund Balances	<u>\$2,704,382</u>	<u>\$961,389</u>	<u>\$3,665,771</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General	Other Governmental	Total
Receipts:			
Property Taxes	\$995,150	\$271,154	\$1,266,304
Income Taxes	599,308		599,308
Intergovernmental	2,178,191	497,865	2,676,056
Interest	23,452	772	24,224
Tuition and Fees	201,827		201,827
Charges for Services		126,431	126,431
Extracurricular Activities	7,205	101,968	109,173
Gifts and Donations	3,423	22,575	25,998
Miscellaneous	6,020	29,622	35,642
Total Receipts	<u>4,014,576</u>	<u>1,050,387</u>	<u>5,064,963</u>
Disbursements:			
Current:			
Instruction:			
Regular	2,037,415	90,145	2,127,560
Special	144,964	231,497	376,461
Support Services:			
Pupils	67,064	3,256	70,320
Instructional Staff	160,879	3,748	164,627
Board of Education	17,618		17,618
Administration	434,275	8,899	443,174
Fiscal	147,630	8,215	155,845
Operation and Maintenance of Plant	416,112	36,846	452,958
Pupil Transportation	100,311	56,190	156,501
Central	56,582	31,827	88,409
Noninstructional Services		136,393	136,393
Extracurricular Activities	144,846	143,507	288,353
Capital Outlay		166,329	166,329
Debt Service:			
Principal Retirement		254,109	254,109
Interest and Fiscal Charges		174,918	174,918
Total Disbursements	<u>3,727,696</u>	<u>1,345,879</u>	<u>5,073,575</u>
Excess of Receipts Over (Under) Disbursements	<u>286,880</u>	<u>(295,492)</u>	<u>(8,612)</u>
Other Financing Sources (Uses):			
Transfers In		163,651	163,651
Transfers Out	(95,916)	(67,735)	(163,651)
Total Other Financing Sources (Uses)	<u>(95,916)</u>	<u>95,916</u>	
Changes in Fund Balances	190,964	(199,576)	(8,612)
Fund Balances at Beginning of Year	<u>2,513,418</u>	<u>1,160,965</u>	<u>3,674,383</u>
Fund Balances at End of Year	<u>\$2,704,382</u>	<u>\$961,389</u>	<u>\$3,665,771</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Property Taxes	\$1,003,826	\$883,511	\$995,150	\$111,639
Income Taxes	575,000	550,225	599,308	49,083
Intergovernmental	2,230,050	2,231,100	2,178,191	(52,909)
Interest	4,400	19,175	23,452	4,277
Tuition and Fees	190,000	210,000	201,827	(8,173)
Extracurricular Activities		5,200	7,205	2,005
Gifts and Donations	250,000	250,000	3,423	(246,577)
Miscellaneous	10,000	1,900	6,020	4,120
Total Receipts	<u>4,263,276</u>	<u>4,151,111</u>	<u>4,014,576</u>	<u>(136,535)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,753,337	2,753,337	2,052,957	700,380
Special	219,600	246,200	185,569	60,631
Support Services:				
Pupils	73,750	73,750	67,064	6,686
Instructional Staff	204,400	204,400	160,879	43,521
Board of Education	45,700	45,700	17,618	28,082
Administration	473,700	473,700	434,300	39,400
Fiscal	166,990	166,990	155,370	11,620
Operation and Maintenance of Plant	585,137	590,637	428,100	162,537
Pupil Transportation	163,208	163,208	101,866	61,342
Central	96,909	96,909	56,592	40,317
Extracurricular Activities	201,500	201,500	144,846	56,654
Capital Outlay	810,000	777,900		777,900
Total Disbursements	<u>5,794,231</u>	<u>5,794,231</u>	<u>3,805,161</u>	<u>1,989,070</u>
Excess of Receipts Over (Under) Disbursements	(1,530,955)	(1,643,120)	209,415	1,852,535
Other Financing Uses:				
Transfers Out	(100,000)	(100,225)	(95,916)	4,309
Changes in Fund Balance	(1,630,955)	(1,743,345)	113,499	1,856,844
Fund Balance at Beginning of Year	2,481,118	2,481,118	2,481,118	
Prior Year Encumbrances Appropriated	32,300	32,300	32,300	
Fund Balance at End of Year	<u>\$882,463</u>	<u>\$770,073</u>	<u>\$2,626,917</u>	<u>\$1,856,844</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10,565	\$25,901
	<u> </u>	<u> </u>
Net Assets:		
Endowments	10,000	
Held for Trust for Scholarships	565	
Held for Student Activities		25,901
Total Net Assets	<u> </u> <u> </u>	<u> </u> <u> </u>

See accompanying notes to the basic financial statements.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Additions:

Interest	\$483
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Deductions:

Non-instructional Services	500
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Change in Net Assets	(17)
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Net Assets at Beginning of Year	10,582
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Net Assets at End of Year	<u>\$10,565</u>
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See accompanying notes to the basic financial statements.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,634,814
Cash and Cash Equivalents with Escrow Agent	<u>39,569</u>
Total Assets	<u>3,674,383</u>
Net Assets:	
Restricted for:	
Debt Service	287,316
Capital Projects	549,325
Other Purposes	346,255
Setasides	19,224
Unrestricted	<u>2,472,263</u>
Total Net Assets	<u><u>\$3,674,383</u></u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$2,039,929	\$218,080	\$12,680		(\$1,809,169)
Special	355,741		310,765		(44,976)
Vocational			15,085		15,085
Support Services:					
Pupils	67,144				(67,144)
Instructional Staff	143,407				(143,407)
Board of Education	32,523				(32,523)
Administration	426,719				(426,719)
Fiscal	160,799				(160,799)
Operation and Maintenance of Plant	420,336				(420,336)
Pupil Transportation	90,490	6,714	2,881	\$3,149	(77,746)
Central	68,398		11,000		(57,398)
Non-instructional Services	170,286	124,510	22,491		(23,285)
Extracurricular Activities	277,973	111,361	4,756		(161,856)
Capital Outlay	3,247,652				(3,247,652)
Debt Service:					
Principal Retirement	160,000				(160,000)
Interest and Fiscal Charges	144,988				(144,988)
Issuance Costs	9,597				(9,597)
Total Governmental Activities	<u><u>\$7,815,982</u></u>	<u><u>\$460,665</u></u>	<u><u>\$379,658</u></u>	<u><u>\$3,149</u></u>	<u><u>(6,972,510)</u></u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					1,029,431
Debt Service					234,167
Permanent Improvements					34,942
Income Taxes					658,634
Grants and Entitlements not Restricted to Specific Programs					2,243,810
Interest					54,906
Gifts and Donations					88,855
Miscellaneous					55,195
Loans Issued					900,000
Total General Receipts					<u><u>5,299,940</u></u>
Change in Net Assets					(1,672,570)
Net Assets at Beginning of Year					<u><u>5,346,953</u></u>
Net Assets at End of Year					<u><u>\$3,674,383</u></u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Ohio School Facilities</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,472,263	\$203,069	\$918,327	\$3,593,659
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	41,155			41,155
Cash and Cash Equivalents with Escrow Agent		39,569		39,569
Total Assets	<u>2,513,418</u>	<u>242,638</u>	<u>918,327</u>	<u>3,674,383</u>
Fund Balances:				
Reserved for Textbooks	5,561			5,561
Reserved for Budget Stabilization	13,663			13,663
Reserved for Bus Purchases	21,931			21,931
Reserved for Encumbrances	26,739	75,686	49,564	151,989
Unreserved, Reported in:				
General Fund	2,445,524			2,445,524
Special Revenue Funds			288,145	288,145
Debt Service Fund			287,316	287,316
Capital Projects Funds		166,952	293,302	460,254
Total Fund Balances	<u>\$2,513,418</u>	<u>\$242,638</u>	<u>\$918,327</u>	<u>\$3,674,383</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Ohio School Facilities</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:				
Property Taxes	\$1,029,431		\$269,109	\$1,298,540
Income Taxes	658,634			658,634
Intergovernmental	2,312,342	\$77,421	229,294	2,619,057
Interest	27,204	27,702	524	55,430
Tuition and Fees	224,794			224,794
Charges for Services			124,510	124,510
Extracurricular Activities			111,361	111,361
Gifts and Donations	91,335		4,556	95,891
Miscellaneous	8,254		46,941	55,195
Total Receipts	<u>4,351,994</u>	<u>105,123</u>	<u>786,295</u>	<u>5,243,412</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,017,446		22,483	2,039,929
Special	227,104		128,637	355,741
Support Services:				
Pupils	64,114		3,030	67,144
Instructional Staff	143,407			143,407
Board of Education	32,523			32,523
Administration	425,875		844	426,719
Fiscal	155,153		5,646	160,799
Operation and Maintenance of Plant	412,317		8,019	420,336
Pupil Transportation	90,490			90,490
Central	51,712		16,686	68,398
Non-instructional Services			170,286	170,286
Extracurricular Activities	122,895		155,078	277,973
Capital Outlay		2,749,552	498,100	3,247,652
Debt Service:				
Principal Retirement			160,000	160,000
Interest and Fiscal Charges			144,988	144,988
Issuance Costs	9,597			9,597
Total Disbursements	<u>3,752,633</u>	<u>2,749,552</u>	<u>1,313,797</u>	<u>7,815,982</u>
Excess of Receipts Over (Under) Disbursements	<u>599,361</u>	<u>(2,644,429)</u>	<u>(527,502)</u>	<u>(2,572,570)</u>
Other Financing Sources (Uses):				
Loans Issued			900,000	900,000
Advances In	415			415
Advances Out			(415)	(415)
Transfers In			453,505	453,505
Transfers Out	(431,727)		(21,778)	(453,505)
Total Other Financing Sources (Uses)	<u>(431,312)</u>		<u>1,331,312</u>	<u>900,000</u>
Changes in Fund Balances	168,049	(2,644,429)	803,810	(1,672,570)
Fund Balances at Beginning of Year	<u>2,345,369</u>	<u>2,887,067</u>	<u>114,517</u>	<u>5,346,953</u>
Fund Balances at End of Year	<u>\$2,513,418</u>	<u>\$242,638</u>	<u>\$918,327</u>	<u>\$3,674,383</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts:				
Property Taxes	\$1,208,876	\$1,029,000	\$1,029,431	\$431
Income Taxes		529,000	658,634	129,634
Intergovernmental		2,234,750	2,312,342	77,592
Interest		4,000	27,204	23,204
Tuition and Fees		207,700	224,794	17,094
Gifts and Donations		91,200	91,335	135
Miscellaneous		310,431	8,254	(302,177)
Total Receipts	1,208,876	4,406,081	4,351,994	(54,087)
Disbursements:				
Current:				
Instruction:				
Regular	2,016,185	2,231,611	2,037,523	194,088
Special	183,654	255,654	227,104	28,550
Support Services:				
Pupils	73,065	73,665	64,114	9,551
Instructional Staff	149,515	157,915	143,407	14,508
Board of Education	26,300	55,800	42,120	13,680
Administration	407,827	439,077	425,875	13,202
Fiscal	131,713	189,113	161,203	27,910
Operation and Maintenance of Plant	350,766	522,631	418,304	104,327
Pupil Transportation	99,765	152,765	90,667	62,098
Central	53,028	56,879	51,721	5,158
Extracurricular Activities	103,814	126,914	122,895	4,019
Total Disbursements	3,595,632	4,262,024	3,784,933	477,091
Excess of Receipts Over (Under) Disbursements	(2,386,756)	144,057	567,061	423,004
Other Financing Sources (Uses):				
Advances In		415	415	
Transfers Out	(482,750)	(482,750)	(431,727)	51,023
Total Other Financing Sources (Uses)	(482,750)	(482,335)	(431,312)	51,023
Changes in Fund Balance	(2,869,506)	(338,278)	135,749	474,027
Fund Balance at Beginning of Year	2,284,834	2,284,834	2,284,834	
Prior Year Encumbrances Appropriated	60,535	60,535	60,535	
Fund Balance (Deficit) at End of Year	(\$524,137)	\$2,007,091	\$2,481,118	\$474,027

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10,582	\$25,901
	\$10,582	\$25,901
Net Assets:		
Endowments	10,000	
Held for Trust for Scholarships	582	
Held for Student Activities		25,901
Total Net Assets	\$10,582	\$25,901

See accompanying notes to the basic financial statements.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Additions:

Interest	<u>\$968</u>
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Deductions:

Non-instructional Services	<u>500</u>
Change in Net Assets	468
Net Assets at Beginning of Year	<u>10,114</u>
Net Assets at End of Year	<u><u>\$10,582</u></u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

New Knoxville Local School District (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 and federal guidelines.

The School District serves an area of approximately twenty-seven square miles. It is located in Auglaize and Shelby Counties. The School District is the 603rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixteen classified employees, thirty-three certified teaching personnel, and four administrative employees who provide services to 453 students and other community members. During fiscal year 2009 it was staffed by seventeen classified employees, thirty-three certified teaching personnel, and four administrative employees who provided services to 463 students. The School District currently operates one school building.

Reporting Entity

A reporting entity is composed 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 organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the New Knoxville Local School District.

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Ohio School Plan, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of 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.

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. 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 two categories, governmental and fiduciary.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's General Fund is a major fund during both fiscal years 2010 and fiscal year 2009, while the Ohio School Facilities capital projects fund is a major fund during fiscal year 2009.

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

Ohio School Facilities Fund - The Ohio School Facilities capital projects fund is used to account for the renovation of the School District's building. The project is being funded with local taxes and a grant from the Ohio School Facilities Commission.

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities.

C. 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 on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the 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 on the financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board for 2010 was the function level for all funds except Agency Funds. In 2009, the legal level of control selected by the Board was fund level for all funds. Budgetary allocations below the adopted level 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 appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. 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".

During fiscal years 2010 and 2009, investments consisted of nonnegotiable certificates of deposit and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$23,452, which includes \$5,322 assigned from other School District funds. While interest revenue credited to the General Fund during fiscal year 2009 was \$27,204, which includes \$4,806 assigned from other School District funds.

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.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2010, restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for the purchase of textbooks and for budget stabilization. The restricted assets for budget stabilization represent monies required to be set aside by State statute to protect against cyclical changes in receipts and disbursements.

During fiscal year 2009, restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for the purchase of textbooks, for budget stabilization, and for unexpended revenues restricted for bus purchases. The restricted assets for budget stabilization represent monies required to be set aside by State statute to protect against cyclical changes in receipts and disbursements. For the Ohio School Facilities Fund, the School District has resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. During fiscal year 2010, fund balance reserves have been established for textbooks, budget stabilization, and encumbrances. While during fiscal year 2009, fund balance reserves have been established for textbooks, budget stabilization, bus purchases, and encumbrances.

L. Interfund Activity

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. COMPLIANCE

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

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 may 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;

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio 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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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. Investments may only be made through specified dealers and institutions.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$45,084,310	100.00%	\$45,436,380	100.00%
Tax rate per \$1,000 of assessed valuation	\$53.95		\$53.95	

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second-Half Collections		2009 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$40,560,930	95.39%	\$45,084,310	98.38%
Public Utility	738,030	1.74	742,460	1.62
Tangible Personal	1,221,680	2.87		0.00
Total Assessed Value	\$42,520,640	100.00%	\$45,826,770	100.00%
Tax rate per \$1,000 of assessed valuation	\$53.95		\$53.95	

6. INCOME TAXES

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The 1 percent tax levy was renewed effective on January 1, 2010, for a five-year period and .25 percent was effective on January 1, 2007, for a twenty-three year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

7. RISK MANAGEMENT

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 2010, the School District contracted with the Ohio School Plan for the following insurance coverage.

Building and Contents	\$15,613,425
Earthquake	5,000,000
Boiler	15,613,425
General Liability Aggregate	4,000,000
Automobile	2,000,000
Excess Liability	1,000,000

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.

For fiscal years 2010 and 2009, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Mercer Auglaize School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

8. DEFINED BENEFIT PENSION PLANS

A. 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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal years ended June 30, 2010 and 2009, 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. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$188,046, \$215,650, and \$215,908 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$15,019 made by the School District and \$10,728 made by plan members. While contributions for the DCP and CP for the fiscal year ended June 30, 2009, were \$5,532 made by the School District and \$14,748 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010 and 2009, 12.78 and 9.09 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$48,951, \$33,472, and \$36,487, respectively; 41 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. 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, 2010, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010 and 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$15,620, \$17,014, and \$17,037 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010 and 2009, .46 percent and 4.16 percent, respectively, of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. The surcharge amount was \$8,275 and \$6,177 during fiscal year 2010 and fiscal year 2009, respectively.

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's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$1,762, \$15,318, and \$16,650 respectively; 41 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal years 2010 and 2009, this actuarially required allocation was .76 and .75, respectively, percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$2,911, \$2,762, and \$2,629 respectively; 41 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty and thirty days of vacation per year, respectively. Accumulated unused vacation time is paid to classified employees, the superintendent, and the treasurer upon termination of employment. Teachers do not earn vacation time.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-three days for all employees.

B. Health Care Benefits

The School District offers medical and dental insurance to most employees through the Mercer Auglaize School Employee Benefit Trust. In addition, the School District offers life insurance through AIG Insurance Company.

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligations Bonds					
1998 High School Building					
Serial Bonds 4.00 - 5.00%	\$ 425,000		\$100,000	\$ 325,000	\$100,000
Capital Appreciation Bonds	39,768			39,768	
Total 1998 High School Building	<u>464,768</u>		<u>100,000</u>	<u>364,768</u>	<u>100,000</u>
2007 OSFC Building					
Serial Bonds 4%	795,000		65,000	730,000	70,000
Term Bonds 4 - 4.125%	1,085,000			1,085,000	
Capital Appreciation Bonds	54,999			54,999	
Total 2007 OSFC Building	<u>1,934,999</u>		<u>65,000</u>	<u>1,869,999</u>	<u>70,000</u>
2007 High School Refunding					
Serial Bonds 4%	520,000		15,000	505,000	15,000
Term Bonds 4 - 4.125%	595,000			595,000	
Capital Appreciation Bonds	79,998			79,998	
Total 2007 High School Refunding	<u>1,194,998</u>		<u>15,000</u>	<u>1,179,998</u>	<u>15,000</u>
Loan Payable 4.47%	<u>900,000</u>		<u>74,109</u>	<u>825,891</u>	<u>77,762</u>
Total General Long-Term Obligations	<u>\$4,494,765</u>	<u>\$0</u>	<u>\$254,109</u>	<u>\$4,240,656</u>	<u>\$262,762</u>

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Governmental Activities					
General Obligations Bonds					
1998 High School Building					
Serial Bonds 4.00 - 5.00%	\$ 505,000		\$ 80,000	\$ 425,000	\$100,000
Capital Appreciation Bonds	39,768			39,768	
Total 1998 High School Building	<u>544,768</u>		<u>80,000</u>	<u>464,768</u>	<u>100,000</u>
2007 OSFC Building					
Serial Bonds 4%	860,000		65,000	795,000	65,000
Term Bonds 4 - 4.125%	1,085,000			1,085,000	
Capital Appreciation Bonds	54,999			54,999	
Total 2007 OSFC Building	<u>1,999,999</u>		<u>65,000</u>	<u>1,934,999</u>	<u>65,000</u>
2007 High School Refunding					
Serial Bonds 4%	535,000		15,000	520,000	15,000
Term Bonds 4 - 4.125%	595,000			595,000	
Capital Appreciation Bonds	79,998			79,998	
Total 2007 High School Refunding	<u>1,209,998</u>		<u>15,000</u>	<u>1,194,998</u>	<u>15,000</u>
Loan Payable 4.47%		\$900,000		900,000	74,109
Total General Long-Term Obligations	<u>\$3,754,765</u>	<u>\$900,000</u>	<u>\$160,000</u>	<u>\$4,494,765</u>	<u>\$254,109</u>

High School Building General Obligation Bonds - On March 20, 1998, the School District issued \$1,999,768 in voted general obligation bonds for constructing an addition to their existing instructional building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$725,000, \$1,235,000, and \$39,768, respectively. The bonds were issued for a twenty-seven year period, with final maturity during fiscal year 2025. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.5 mill voted property tax levy. The term bonds were advance refunded during fiscal year 2007, in the amount of \$1,235,000. Final maturity for the un-refunded serial and capital appreciation bonds was adjusted to fiscal year 2017.

The serial bonds maturing after December 1, 2008, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2008, at redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the redemption date.

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008, through November 30, 2009	101%
December 1, 2009, and thereafter	100

The capital appreciation bonds will mature in fiscal years 2013, 2014, and 2015. The maturity amount of the bonds is \$345,000.

2007 OSFC Building General Obligation Bonds - On March 28, 2007, the School District issued \$1,999,999 in voted general obligation bonds to renovate, improve, expand, furnish, and equip the current school facilities. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$860,000, \$1,085,000, and \$54,999, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2030. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 3.3 mill voted property tax levy.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$105,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$105,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023 (with the balance of \$115,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$110,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2025 through 2028 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2029), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$115,000
2026	130,000
2027	130,000
2028	135,000

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$170,000.

2007 High School Refunding General Obligation Bonds - On March 28, 2007, the School District issued \$1,234,998 in voted general obligation bonds to refund \$1,235,000 of the High School Building general obligation bonds. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$560,000, \$595,000, and \$79,998, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2025. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.5 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$155,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Year	Amount
2021	\$145,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023 (with the balance of \$160,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2023	\$155,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District, in the amount of \$135,000.

The serial bonds maturing after December 1, 2017, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2008, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$265,000.

All of the refunded bonds pertaining to the 1998 High School Building general obligation refunding bonds have been retired by the escrow agent.

Loan Payable

On September 16, 2008, the School District obtained a loan, in the amount of \$900,000, to pay for the locally funded initiatives portion of the Ohio School Facilities Commission building project. The loan was issued for a ten year period, with final maturity during fiscal year 2019. The loan is being retired through the Bond Retirement debt service fund with transfers from the General Fund.

At June 30, 2010, the School District's overall debt margin was \$946,905 with an un-voted debt margin of \$45,436. While at June 30, 2009, the School District's overall debt margin was \$750,139 with an un-voted debt margin of \$45,084.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2010, were as follows:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2011	\$ 185,000	\$ 61,345		\$ 68,012
2012	195,000	52,773		68,013
2013	205,000	43,675		68,012
2014	90,000	37,200		68,013
2015	100,000	33,400		68,012
2016-2020	545,000	121,500		340,062
2021-2025	240,000	4,800	\$1,030,000	257,863
2022-2030			650,000	69,300
Totals	<u>\$1,560,000</u>	<u>\$354,693</u>	<u>\$1,680,000</u>	<u>\$1,007,287</u>

Fiscal Year Ending	General Obligation Bonds			
	Capital Appreciation		Loans Payable	
	Principal	Interest	Principal	Interest
2011			\$ 77,762	\$ 33,783
2012			80,943	30,602
2013			84,253	27,292
2014	\$ 15,008	\$ 99,992	87,699	23,846
2015	13,182	101,818	91,286	20,258
2016-2018	146,575	398,425	403,948	42,140
Totals	<u>\$174,765</u>	<u>\$600,235</u>	<u>\$825,891</u>	<u>\$177,921</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

12. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2010 and 2009, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2010.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

12. SET ASIDES (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2009	\$5,561		\$13,663
Current Year Set Aside Requirement	74,922	\$74,922	
Current Year Offsets		(26,839)	
Qualifying Expenditures	(76,084)	(48,083)	
Balance June 30, 2010	<u>\$4,399</u>	<u>\$ 0</u>	<u>\$13,663</u>

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2009.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2008	\$34,215		\$13,663
Current Year Set Aside Requirement	72,748	\$72,748	
Current Year Offsets		(41,613)	
Qualifying Expenditures	(101,402)	(31,135)	
Balance June 30, 2009	<u>\$ 5,561</u>	<u>\$ 0</u>	<u>\$13,663</u>

13. INTERFUND TRANSFERS

During fiscal year 2010, the General Fund transferred \$95,916 to other governmental funds to fund debt service requirements. The Ohio School Facilities capital projects fund transferred \$45,957 to other governmental funds to fund debt service requirements. Other governmental funds transferred \$21,778 to other governmental funds to fund the Ohio School Facilities maintenance requirement.

During fiscal year 2009, the General Fund transferred \$431,727 to other governmental funds to fund the locally funded initiatives portion of the Ohio School Facilities Commission project. Other governmental funds transferred \$21,778 to other governmental funds to fund the Ohio School Facilities maintenance requirement.

14. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000, represent the principal portion. As of June 30, 2010 and 2009, the amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$565 and 582, respectively, and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Local Professional Development Committee

The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district, and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan that will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. The School District paid \$38,455 and \$37,220 to WOCO for various services during fiscal year 2010 and fiscal year 2009; respectively. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

C. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

16. INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

16. INSURANCE POOLS (Continued)

B. Mercer Auglaize School Employee Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize School Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

C. Ohio Association of School Business Officials (OASBO) 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 OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010 or June 30, 2009.

B. Litigation

There are currently no matters in litigation with the School District as defendant.



Mary Taylor, CPA

Auditor of State

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

New Knoxville Local School District
Auglaize County
345 S. Main Street P.O. Box 476
New Knoxville, Ohio 45871

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, (the School District) as of and for the fiscal years ended June 30, 2010 and June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 8, 2010, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 8, 2010.

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

We intend this report solely for the information and use of management, Board of Education, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 8, 2010

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
FOR FISCAL YEARS JUNE 30, 2010 AND JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

MATERIAL WEAKNESS - NONCOMPLIANCE CITATION

Ohio Administrative Code Section 117-2-02 (A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Administrative Code 117-2-02 (B), states the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

- (1) Existence/occurrence;
- (2) Completeness: That all account balances and transactions that should be included in the financial records are included;
- (3) Rights and obligations;
- (4) Valuation/allocation, and;
- (5) Presentation and disclosure: that financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

The Board of Education entered into a project agreement with the Ohio School Facilities Commission (OSFC) in June 2006 to renovate the K thru 12 facility. The construction project was completed by June 30, 2009. During the prior audit it was noted that the School District had not recorded the financial activity related to the construction managers cost which had resulted in an understatement of receipts and disbursements of \$239,054 during fiscal year 2008 and \$100,220 during fiscal year 2007, which resulted in an audit adjustment. On May 24, 2010, the Treasurer recorded on the accounting system the entire \$416,695 related to the OSFC building project's construction manger costs. The \$416,695 was included in the fiscal year 2010 annual financial statements filed with the Auditor of State. Therefore, the fiscal year 2010 financial statements receipts and disbursements were overstated by \$416,695, while the fiscal year 2009 financial statements receipts and disbursements were understated by \$77,421. The accompanying financial statements present the above noted adjustments.

Auditor of State Bulletin #2000-008 requires that when the School District benefits from a loan or grant in which payments are made directly to the contractor by the loaner and grantor, the District should record the revenue and a corresponding expenditure in the appropriate fund at the time the payment is issued to the loaner or grantor. Applicable budgetary procedures such as estimated receipts and appropriations should also be followed for those revenues and expenditures. Also, all interest earnings should be posted to the books of the District monthly and then accurately reported on the quarterly draw requests to the OSFC.

OFFICIALS' RESPONSE:

The School District Treasurer did not receive any training for the OSFC project from R.L. Bowen. This caused numerous incorrect mis-postings or non-postings. I did what I thought was correct.

FINDING NUMBER 2010-002

NONCOMPLIANCE CITATION

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

Ohio Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). 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 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.

The School District should prepare the financial statements according to generally accepted accounting principles, to include all assets, liabilities and disclosures to provide a complete presentation of its financial status.

OFFICIALS' RESPONSE:

The School District has decided not to file financial statements according to generally accepted accounting principles due to the expense of the reports and the time required of the treasurer to compile the data for the reports. The Board also feels that the School District does not have a real need for the GAAP reports. When the School District secured the financing for the OSFC project the GAAP reports did not play a factor in the funding. The School District Treasurer does not have a support staff and does not have the time to help prepare the GAAP reports nor does the School District have the funds to pay for the GAAP reports.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) – preparation of financial statements in accordance with generally accepted accounting principles	No	Repeated as Finding 2010-002
2008-002	Ohio Rev. Code Section 5705.09(F) – the School District had not established the necessary funds for the Classroom Facilities Assistance Program Project (Funds 004 and 010)	Yes	
2008-003	Ohio Rev. Code Section 5705.10(H) and Ohio Rev. Code Section 3315.20 – various funds had deficit fund balances	Yes	
2008-004	Ohio Rev. Code Section 5705.14(E) states that money may be transferred from the general fund to any other fund of the subdivision, and OAG Opinion 89-075 – during 2008, the Board of Education approved advances and transfers “as presented”; however, there was no evidence of any such presentation of advances and transfers	No	Repeated in the management letter
2008-005	Ohio Rev. Code Section 5705.38(B) the Board of Education did not pass an annual appropriation resolution by the required date	No	Repeated in the management letter
2008-006	Ohio Rev. Code Section 5705.41 (B) several funds had expenditures which exceeded appropriations	Yes	
2008-007	Ohio Administrative Code Section 117-2-02 (A) and Ohio Administrative Code 117-2-02 (B), requiring various aspects of accounting system and accounting records	No	Repeated as Finding 2010-001
2008-008	The Ohio School Facilities Commission Classroom Facilities Assistance Program Project Agreement – not all aspects of the agreement were followed	Yes	
2008-009	Recording of Income Tax Revenues	No	Repeated in the management letter

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

New Knoxville Local School District
Auglaize County
345 S. Main Street P.O. Box 476
New Knoxville, Ohio 45871

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 procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether New Knoxville Local School District, Auglaize County, (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 26, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 8, 2010



Mary Taylor, CPA
Auditor of State

NEW KNOXVILLE LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2011**