

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY
SINGLE AUDIT
JULY 1, 2010 – JUNE 30, 2011**





Dave Yost • Auditor of State

Board of Education
New Lexington City School District
1605 Airport Road
New Lexington, Ohio 43764

We have reviewed the *Independent Auditor's Report* of the New Lexington City School District, Perry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 27, 2012

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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Board of Education
New Lexington City School District
1605 Airport Road
New Lexington, Ohio 43764

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the 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 basis of accounting. This is a comprehensive basis other than general accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio as of June 30, 2011, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As disclosed in Note 17, the District restated fund balances based on implementing Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the District's internal control over financial reporting and on 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 a 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 historic 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 to provide any other assurances.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Newark, Ohio
December 28, 2011

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

This discussion and analysis of the New Lexington City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$166,573, or 2.6 percent.
- The District's general receipts consist primarily of property taxes and intergovernmental aid (unrestricted grants and entitlements). These receipts represent 18.1%, and 80.2%, respectively, of total General Receipts during the fiscal year.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$4.5 million, a decrease of \$610,704, or 11.9 percent in comparison with the cash basis fund balances from the prior year. Of this total amount, approximately \$3.2 million is available for spending at the District's discretion (unassigned fund balance).

Using the Basic Financial Statements

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 District's cash basis of accounting.

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The 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 accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during the fiscal year, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental funds of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions 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 District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities the District reports governmental activities, which are the District's basic services. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. In fact, state and federal grants and property taxes finance most of these activities. All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's two major governmental funds are the general fund and debt service fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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

Fiduciary Funds – The District's only fiduciary fund is for student managed activities reported in agency funds. The District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude those activities from the District's other financial statements because the assets can't be used by the District.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011 and 2010 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2011	Restated 2010
Assets		
Cash and Cash Equivalents	\$ 6,330,157	\$ 6,496,730
Total Assets	\$ 6,330,157	\$ 6,496,730
Net Assets		
Restricted for:		
Debt Service	\$ 566,078	\$ 580,705
Claims	284,127	163,737
Building Maintenance	264,216	240,504
State and Federal Grants	179,703	116,311
Other Purposes	121,406	159,525
Unrestricted	4,914,627	5,235,948
Total Net Assets	\$ 6,330,157	\$ 6,496,730

The District's net assets decreased \$166,573, or 2.6 percent during the fiscal year.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Table 2 provides a summary of the District's change in net assets for fiscal year 2011 and 2010 on a cash basis:

**Table 2
Changes in Net Assets**

	<u>2011</u>	<u>2010</u>
Cash Receipts:		
Program Cash Receipts:		
Charges for Services	\$ 819,625	\$ 800,449
Operating Grants and Contributions	<u>4,453,676</u>	<u>3,992,330</u>
Total Program Cash Receipts	<u>5,273,301</u>	<u>4,792,779</u>
General Cash Receipts:		
Property Taxes	2,905,710	2,557,292
Grants and Entitlements	12,885,430	12,910,362
Investment Earnings	34,131	88,558
Other Receipts	<u>238,412</u>	<u>227,149</u>
Total General Cash Receipts	<u>16,063,683</u>	<u>15,783,361</u>
Total Cash Receipts	<u>21,336,984</u>	<u>20,576,140</u>
Program Cash Disbursements:		
Instruction:		
Regular	8,497,727	8,318,442
Special	3,480,525	3,080,271
Vocational	470,889	594,649
Other	<u>9,686</u>	<u>2,634</u>
Support Services:		
Pupils	1,175,991	994,400
Instructional Staff	489,066	606,014
Board of Education	116,886	87,786
Administration	1,471,919	1,588,457
Fiscal Services	352,189	339,939
Business	54,392	69,758
Operation and Maintenance	2,086,228	2,313,907
Pupil Transportation	1,071,279	1,210,531
Central	<u>398,016</u>	<u>290,094</u>
Food Service Operations	947,143	913,978
Community Services	130,135	91,824
Extracurricular Activities	<u>474,086</u>	<u>428,776</u>
Debt Service:		
Principal Retirement	190,000	202,196
Interest and Fiscal Charges	<u>87,400</u>	<u>100,006</u>
Total Program Cash Disbursements	<u>21,503,557</u>	<u>21,233,662</u>
Change in Net Assets	(166,573)	(657,522)
Net Assets at Beginning of Year	<u>6,496,730</u>	<u>7,154,252</u>
Net Assets at End of Year	<u>\$ 6,330,157</u>	<u>\$ 6,496,730</u>

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Program Receipts

Program receipts are comprised of charges for services and operating grants and contributions. Program receipts increased during the fiscal year, compared to the prior fiscal year, due to an increase in stimulus grant monies during fiscal year 2011.

General Receipts

General receipts were consistent with the prior fiscal year, increasing by \$280,322, or 1.8 percent, in fiscal year 2011.

Disbursements

Disbursements increased by \$269,895 or 1.3 percent, during fiscal year 2011. This increase is primarily a result of an increase in salaries and fringe benefits.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction (regular, special, vocational, and other) and support services (operation and maintenance of buildings, administration, pupil transportation, et.), which account for 58 and 33.6 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The Net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Table 3

Program Cash Disbursements	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
Instruction:				
Regular	\$ 8,497,727	\$ 8,318,442	\$ 6,614,508	\$ 6,585,725
Special	3,480,525	3,080,271	2,305,595	2,339,973
Vocational	470,889	594,649	173,787	295,358
Other Instruction	9,686	2,634	9,250	184
Support Services:				
Pupils	1,175,991	994,400	732,405	798,240
Instructional Staff	489,066	606,014	270,104	285,023
Board of Education	116,886	87,786	116,886	87,601
Administration	1,471,919	1,588,457	1,361,971	1,414,756
Fiscal Services	352,189	339,939	349,106	334,260
Business	54,392	69,758	36,002	56,599
Maintenance	2,086,228	2,313,907	2,086,228	2,241,531
Pupil Transportation	1,071,279	1,210,531	1,066,351	1,130,165
Central	398,016	290,094	387,405	280,718
Food Service Operations	947,143	913,978	72,057	(16,607)
Community Services	130,135	91,824	14,380	(11,487)
Extracurricular Activities	474,086	428,776	356,821	316,642
Debt Service:				
Principal Retirement	190,000	202,196	190,000	202,196
Interest and Fiscal Charges	87,400	100,006	87,400	100,006
Total Cash Disbursements	\$ 21,503,557	\$ 21,233,662	\$ 16,230,256	\$ 16,440,883

The District's Funds

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows:

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General Fund	\$ 3,457,748	\$ 4,097,044	\$ (639,296)
Debt Service Fund	566,078	580,705	(14,627)
Other Governmental Funds	512,335	469,116	43,219
Total	<u>\$ 4,536,161</u>	<u>\$ 5,146,865</u>	<u>\$ (610,704)</u>

Due to the implementation of GASB 54, the District's Uniform School Supply Fund and the Public School Support Fund were reclassified as part of the General Fund. The funds were classified as Other Governmental Funds in the prior year. See footnote 18 for more detailed information about the District's fund reclassification.

General Fund

During the current fiscal year, the fund balance in the District's General Fund decreased \$639,296, compared with a \$926,007 decrease in the previous fiscal year.

Revenues increased \$306,977, primarily as a result of an increase in property taxes, whereas expenditures increased only \$61,592, or less than one percent.

Debt Service Fund

Revenues and expenditures in the debt service fund remained consistent with the prior year as the District's debt service requirements were comparable to the prior fiscal year.

Other Governmental Funds

Fund balance in the Other Governmental Funds increased \$43,219, or 9.2 percent. For the most part, this increase represents an increase in state and federal grant funds offset by a decrease in food service fund.

General Fund Budgeting Highlights

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

Final estimated resources were \$246,607, or 1.6%, more than the original estimate and actual receipts were \$96,608, or less than one percent, more than final estimated receipts.

Final appropriations were approximately \$1.9 million more than original appropriations and final appropriations were \$279,119 more than actual disbursements, including encumbrances.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Debt

At fiscal year-end, the District's outstanding debt totaled \$2,269,996, a decrease of \$190,000 in comparison with the prior period. This decrease represents principal payments made during the fiscal year. For further information regarding the District's debt, refer to Note 11 to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Treasurer's office, New Lexington City School District, 1605 Airport Road, New Lexington, Ohio, 43764.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 6,277,167
Restricted Cash and Cash Equivalents	52,990
Total Assets	<u>\$ 6,330,157</u>
 Net Assets	
Restricted for:	
Debt Service	\$ 566,078
Claims	284,127
Building Maintenance	264,216
State and Federal Grants	179,703
Other Purposes	121,406
Unrestricted	4,914,627
Total Net Assets	<u>\$ 6,330,157</u>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash <u>Disbursements</u>	Charges for <u>Services</u>	Operating Grants <u>and Contributions</u>	Governmental <u>Activities</u>
Governmental Activities				
Instruction:				
Regular	\$ 8,497,727	\$ 316,716	\$ 1,566,503	\$ (6,614,508)
Special	3,480,525	109,658	1,065,272	(2,305,595)
Vocational	470,889	21,410	275,692	(173,787)
Other Instruction	9,686	436	-	(9,250)
Support Services:				
Pupils	1,175,991	-	443,586	(732,405)
Instructional Staff	489,066	-	218,962	(270,104)
Board of Education	116,886	-	-	(116,886)
Administration	1,471,919	-	109,948	(1,361,971)
Fiscal Services	352,189	-	3,083	(349,106)
Business	54,392	18,390	-	(36,002)
Operation and Maintenance	2,086,228	-	-	(2,086,228)
Pupil Transportation	1,071,279	-	4,928	(1,066,351)
Central	398,016	-	10,611	(387,405)
Food Services Operations	947,143	235,750	639,336	(72,057)
Community Services	130,135	-	115,755	(14,380)
Extracurricular Activities	474,086	117,265	-	(356,821)
Debt Service:				
Principal Retirement	190,000	-	-	(190,000)
Interest and Fiscal Charges	87,400	-	-	(87,400)
Total Governmental Activities	\$ 21,503,557	\$ 819,625	\$ 4,453,676	(16,230,256)
General Receipts:				
Property Taxes				2,905,710
Unrestricted Grants and Entitlements				12,885,430
Investment Earnings				34,131
Other Receipts				238,412
Total General Receipts				16,063,683
Change in Net Assets				(166,573)
Net Assets Beginning of Year				6,496,730
Net Assets End of Year				\$ 6,330,157

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 3,404,758	\$ 566,078	\$ 512,335	\$ 4,483,171
Restricted Cash and Cash Equivalents	52,990	-	-	52,990
Total Assets	\$ 3,457,748	\$ 566,078	\$ 512,335	\$ 4,536,161
Fund Balances:				
Restricted for:				
Debt Service	\$ -	\$ 566,078	\$ -	\$ 566,078
Building Maintenance	-	-	264,216	264,216
State and Federal Grants	-	-	179,703	179,703
Other Purposes	52,990	-	68,416	121,406
Assigned for:				
Public School Support	77,155	-	-	77,155
Outstanding Encumbrances	104,207	-	-	104,207
Unassigned	3,223,396	-	-	3,223,396
Total Fund Balances	\$ 3,457,748	\$ 566,078	\$ 512,335	\$ 4,536,161

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total Governmental Fund Balances \$ 4,536,161

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

Governmental activities' net assets include the internal service funds' cash and
cash equivalents. The proprietary funds' statement include these assets. 1,793,996

Net Assets of Governmental Activities \$ 6,330,157

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$ 2,621,087	\$ 236,986	\$ 47,637	\$ 2,905,710
Intergovernmental	13,042,082	34,483	4,262,541	17,339,106
Interest	33,825	-	306	34,131
Tuition and Fees	448,220	-	-	448,220
Extracurricular Activities	-	-	77,178	77,178
Food Service	-	-	235,750	235,750
Other Receipts	172,780	-	58,477	231,257
Total Receipts	16,317,994	271,469	4,681,889	21,271,352
Disbursements:				
Current:				
Instruction:				
Regular	7,172,266	-	1,506,135	8,678,401
Special	2,479,760	-	1,055,645	3,535,405
Vocational	484,122	-	-	484,122
Other	9,868	-	-	9,868
Support services:				
Pupils	779,801	-	433,769	1,213,570
Instructional staff	282,705	-	217,405	500,110
Board of Education	116,886	-	-	116,886
Administration	1,391,024	-	112,039	1,503,063
Fiscal	346,491	8,696	5,259	360,446
Business	43,005	-	11,387	54,392
Operation and Maintenance of Plant	2,013,580	-	106,765	2,120,345
Pupil Transportation	1,104,296	-	5,061	1,109,357
Central	392,758	-	10,762	403,520
Operation of Food Services	-	-	973,280	973,280
Community Services	-	-	130,685	130,685
Extracurricular Activities	353,998	-	122,840	476,838
Debt service:				
Principal Retirement	-	190,000	-	190,000
Interest and Fiscal Charges	-	87,400	-	87,400
Total Disbursements	16,970,560	286,096	4,691,032	21,947,688
Excess (Deficiency) of Receipts Over (Under) Disbursements	(652,566)	(14,627)	(9,143)	(676,336)
Other Financing Sources (Uses):				
Sale of Assets	65,632	-	-	65,632
Advances In	39,856	-	92,218	132,074
Advances Out	(92,218)	-	(39,856)	(132,074)
Total Other Financing Sources (Uses)	13,270	-	52,362	65,632
Net Change in Fund Balances	(639,296)	(14,627)	43,219	(610,704)
Fund Balance at Beginning of Year- Restated	4,097,044	580,705	469,116	5,146,865
Fund Balance at End of Year	\$ 3,457,748	\$ 566,078	\$ 512,335	\$ 4,536,161

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (610,704)

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

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts.

444,131

Change in Net Assets of Governmental Activities

(\$166,573)

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	\$ 2,335,000	\$ 2,621,087	\$ 2,621,087	\$ -
Intergovernmental	13,109,828	13,042,082	13,042,082	-
Interest	403	33,825	33,825	-
Tuition and Fees	427,979	448,220	448,220	-
Other	124,477	33,761	130,369	96,608
Total Receipts	15,997,687	16,178,975	16,275,583	96,608
Disbursements:				
Current:				
Instruction:				
Regular	7,229,979	7,286,490	7,196,343	90,147
Special	2,539,987	2,521,360	2,479,610	41,750
Vocational	470,814	494,130	485,447	8,683
Other	-	9,868	9,868	-
Support Services:				
Pupils	774,933	784,951	769,799	15,152
Instructional Staff	282,883	305,003	302,141	2,862
Board of Education	18,310	118,929	116,886	2,043
Administration	1,067,639	1,433,678	1,416,853	16,825
Fiscal Services	228,810	355,268	351,491	3,777
Business	32,805	29,004	28,595	409
Operation and Maintenance	1,531,721	2,084,284	2,017,087	67,197
Pupil Transportation	997,078	1,123,359	1,105,316	18,043
Central	238,207	401,280	392,756	8,524
Extracurricular Activities	112,883	358,196	354,489	3,707
Total Disbursements	15,526,049	17,305,800	17,026,681	279,119
Excess of Receipts Over (Under) Disbursements	471,638	(1,126,825)	(751,098)	375,727
Other Financing Sources (Uses):				
Sale of Assets	-	65,632	65,632	-
Advances In	40,169	39,856	39,856	-
Advances - Out	-	(92,218)	(92,218)	-
Total Other Financing Sources (Uses)	40,169	13,270	13,270	-
Net Change in Fund Balance	511,807	(1,113,555)	(737,828)	375,727
Fund Balance at Beginning of Year	3,033,428	3,033,428	3,033,428	-
Prior Year Encumbrances Appropriated	976,536	976,536	976,536	-
Fund Balance at End of Year	\$ 4,521,771	\$ 2,896,409	\$ 3,272,136	\$ 375,727

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY

STATEMENT OF FUND NET ASSETS- CASH BASIS
PROPRIETARY FUND
JUNE 30, 2011

	Governmental Activities
	Internal Service
Assets:	
Cash and Cash Equivalents	\$ 1,793,996
Total Assets	<u>\$ 1,793,996</u>
Net Assets:	
Restricted for Claims	\$ 284,127
Unrestricted	1,509,869
Total Net Assets	<u>\$ 1,793,996</u>

See accompanying notes to the basic financial statements.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN NET ASSETS-CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities
	Internal Service
Operating Receipts:	
Charges for Services	\$ 3,847,668
Miscellaneous	9,384
Total Operating Receipts	3,857,052
Operating Disbursements:	
Purchased Services	406,030
Claims	2,997,238
Miscellaneous	9,653
Total Operating Disbursements	3,412,921
Change in Net Assets	444,131
Net Assets at Beginning of Year	1,349,865
Net Assets at End of Year	\$ 1,793,996

See accompanying notes to the basic financial statements.

NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2011

	Agency Fund
Assets:	
Cash and Cash Equivalents	\$ 71,474
Total Assets	<u>\$ 71,474</u>
Net Assets	
Held for Students Activity	\$ 71,474
Total Net Assets	<u>\$ 71,474</u>

See accompanying notes to the basic financial statements.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 – Reporting Entity

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

The District operates under a locally-elected five member board form of government and provides educational services as mandated by State statute and Federal agencies. The Board of Education controls the District’s five instructional/support facilities staffed by 79 classified employees and 142 certified teaching personnel who provide services to 1,952 students and other community members.

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

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

The District participates in the Southeast Ohio Voluntary Educational Consortium, the Tri-County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, and the Southeastern Ohio Special Education Regional Resource Council, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers’ Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 14 and 15.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District’s accounting policies.

A. Basis of Presentation

The 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.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have business-type activities.

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 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. Proprietary and Fiduciary funds are reported by type.

B. Fund Accounting

The 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 District are divided into three categories, governmental, proprietary, and fiduciary.

Governmental Funds - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's two major funds are the General Fund and Debt Service Fund.

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

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

The Other Governmental Funds of the District account for and report state and federal grant programs and other resources.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds - The 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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District has no trust fund accounts. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

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

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

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2011, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2011 was \$33,825. In addition interest receipts were credited to the Food Service Fund and Auxiliary Services Fund in the amount of \$168 and \$138, 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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside by the District for purchases of textbooks/instructional materials.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. The District had outstanding advances of \$92,218 at June 30, 2011.

J. Accumulated Leave

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

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment health care benefits.

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's restricted net assets were restricted by enabling legislation. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Net assets restricted for other purposes include balances for set asides, food service, and certain extracurricular activity balances

N. Fund Balances

In accordance with Governmental Accounting Standards Board Statements No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

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

Assigned - resources that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during the fiscal year.

Q. Operating Receipts and Disbursements

Operating Receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the District, these receipts are charges for services for self-insurance programs. Operating disbursements are necessary costs incurred to provide goods and services that are the primary activity of the fund.

Note 3 – Accountability and Compliance

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

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis).

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - Budgetary Basis of Accounting (continued)

A reconciliation of the cash and budgetary statements of the General Fund is as follows:

	General Fund
Change in Fund Balance - Cash Basis	\$ (639,296)
Public School Support Fund	5,674
Encumbrances	(104,206)
Change in Fund Balance- Budgetary Basis	<u>\$ (737,828)</u>

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 – Deposits and Investments (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of all District deposits was \$6,401,631, and the bank balance was \$6,362,395. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance and the remaining balance was exposed to custodial credit risk, as discussed above.

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

Investments

At fiscal year-end, the District held no investments.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Property Taxes (continued)

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 25 percent of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value listed as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Perry County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$122,255,190	94.75%	\$123,066,100	85.96%
Public Utility Tangible Personal Property	6,774,090	5.25%	20,095,460	14.04%
Total Assessed Value	<u>\$129,029,280</u>	<u>100.00%</u>	<u>\$143,161,560</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.60		\$31.60	

Note 7 – Loans Receivable

On January 11, 2010, the District approved Resolution #10-01 authorizing the District to expend \$78,240 to retire an existing loan held by Peoples National Bank on behalf of the Orange & Black Boosters of Perry County (the Boosters). The loan was originally obtained by the Boosters to complete the Track Facilities Project for the District. The Boosters will repay the District over a 2 to 3 year period with donations received (including pledged donations which as of the date of the loan totaled \$55,000). During the fiscal year, the District received \$20,000 from the Boosters. As of June 30, 2011, the Boosters have paid \$45,000 to the District.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Risk Management

A. Workers' Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

B. Property and Liability

The 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. Claims have not exceeded this coverage in any of the past three fiscal years.

<u>Property</u>	<u>Deductible</u>	<u>Coverage</u>
Real Property	\$ 1,000	\$ 52,737,020
General Liability:		
Per Occurance	-	2,000,000
Annual Aggregate	-	4,000,000
Boiler and Machinery	5,000	17,735,919
Electronic Equipment	1,000	1,839,692
Vehicles:		
Bodily Injury:		
Per Person	-	2,000,000
Per Accident	-	2,000,000
Property Damage	-	2,000,000
Uninsured Motorist:		
Per Person	-	250,000
Per Accident	-	250,000

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Risk Management (continued)

C. Employee Medical Benefits

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

During the fiscal year, employees of the District were covered by the District's medical/surgical and dental self-insurance Plan (the "Plan"). The District contributed approximately 90% per month per employee to the Plan and employees authorized payroll withholdings to pay their share of the premium which was approximately 10% per month. The total premiums paid into the internal service fund of the District were \$3,847,668. The District paid \$3,458,421 while the employees were responsible for the remaining portion.

	2011	2010
Cash and Cash Equivalents	\$1,793,996	\$1,349,865
Claims liabilities at June 30	\$438,074	\$218,696

Note 9 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.8%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$246,822, \$292,731, and \$310,476, respectively, which equaled the required contributions each year.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

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

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

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

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

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Defined Benefit Pension Plans (continued)

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers.

The School's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,012,495, \$1,040,455, and \$1,073,640, respectively, which equaled the required contributions each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have the option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 – Post-Employment Benefits

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$15,884, \$17,408, and \$16,633, respectively, which equaled the required contributions each year.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2011, 2010, and 2009 were \$61,702, \$10,537 and \$92,256, respectively which equaled the required contributions each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 – Post-Employment Benefits (continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$77,884, \$80,035, and \$76,689, respectively which equaled the required contributions each year.

Note 11 - General Long-Term Obligations

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

	Principal Outstanding July 1, 2010	Additions	Reductions	Principal Outstanding June 30, 2011	Due Within One Year
Government Activities					
General Obligation Bonds:					
Series 2008 Refunding Bonds- 4%-4.40%	\$ 2,459,996	\$ -	\$ (190,000)	\$ 2,269,996	\$ 200,000
	<u>\$ 2,459,996</u>	<u>\$ -</u>	<u>\$ (190,000)</u>	<u>\$ 2,269,996</u>	<u>\$ 200,000</u>

School Improvement Bonds – On October 16, 2007, the District issued \$2,514,996 of general obligation bonds with interest rates from 4% to 4.4% to refund a portion of the Classroom Facilities General Obligation Bonds. The payment to the escrow agent results in the removal of the obligation for a portion of the Classroom Facilities General Obligation Bonds.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011 are as follows:

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - General Long-Term Obligations (continued)

Fiscal Year Ending June 30,	General Obligation Bonds		
	Series 2008 Refunding Bonds		
	Principal	Interest	Total
2012	\$ 200,000	\$ 79,600	\$ 279,600
2013	205,000	71,500	276,500
2014	215,000	63,100	278,100
2015	220,000	54,400	274,400
2016	230,000	45,400	275,400
2017-2021	929,996	464,804	1,394,800
2022	270,000	5,400	275,400
Total	\$ 2,269,996	\$ 784,204	\$ 3,054,200

Note 12 - Set Aside Requirements

The 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 addition, though no longer required, the District opted to designate money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements, and the budget stabilization designation, during fiscal year 2011.

	Textbooks/ Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside Cash Balance as of June 30, 2010	\$ 134,819	\$ -	\$ 695,166
Current year Set-aside Requirements	278,307	278,307	-
Qualifying Off-sets	-	(130,442)	-
Qualifying Disbursements	(360,136)	(594,983)	-
Total	\$ 52,990	\$ (447,118)	\$ 695,166
Set-aside Balance Carried Forward to FY 2012	\$ 52,990	\$ -	\$ 695,166
Set-aside Reserved Balance as of June 30, 2011	\$ 52,990	\$ -	\$ 695,166

Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the District opted to designate funds to offset any budget deficit the District may experience in future fiscal years.

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 12 - Set Aside Requirements (continued)

The District had qualifying disbursements during the fiscal year that did not reduce the set-aside amount to zero for the Textbooks/Instructional Materials Reserve; this amount has been carried forward to increase the set-aside requirement for future fiscal years. Therefore, this amount is being reported as restricted for Other Purposes on the District's financial statements. The District had qualifying disbursements and offsets during the fiscal year that reduced the set aside amounts below zero for the Capital Maintenance Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years. The District opted not to contribute to the budget stabilization account in fiscal year 2011.

Note 13 – Contingent Liabilities

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

As of June 30, 2011, the District was not a party to any material legal proceedings.

Note 14 - Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 36 participants consisting of 28 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid the SEOVEC \$51,337 for services provided during the fiscal year. To obtain financial information, write to the Southeast Ohio Voluntary Education Consortium, Bobbie Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45710.

B. Tri-County Joint Vocational School District

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

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 14 - Jointly Governed Organizations (continued)

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the "Coalition") consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or a financial responsibility for the Coalition. The District made no payments to the Coalition of Rural and Appalachian Schools for services provided during the fiscal year.

D. Southeastern Ohio Special Education Regional Resource Council

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

Note 15 – Insurance Purchasing Pools

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

Note 16 – State School Funding

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

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

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

New Lexington City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 17 – Fund Reclassification

Due to the implementation of GASB 54, the District's Uniform School Supply Fund and the Public School Support Fund were reclassified as part of the General Fund. The funds were classified as Other Governmental Funds in the prior year.

The effect of these fund reclassifications is presented below:

	General Fund	Other Governmental Funds
Fund Balances, June 30, 2010	\$ 4,009,964	\$ 556,196
Fund Reclassification- Uniform School Supply Fund	4,251	(4,251)
Fund Reclassification- Public School Support Fund	82,829	(82,829)
Fund Balances, July 1, 2010	\$ 4,097,044	\$ 469,116

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	\$ 187,837	\$ -	\$ 187,837	\$ -
National School Lunch Program	10.555	396,715	117,900	396,715	117,900
Summer Food Service Program for Children	10.559	39,787	-	39,787	-
Total Nutrition Cluster		<u>624,339</u>	<u>117,900</u>	<u>624,339</u>	<u>117,900</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	5,692	-	5,692	-
Team Nutrition Grants	10.574	-	-	571	-
Total U.S. Department of Agriculture		<u>630,031</u>	<u>117,900</u>	<u>630,602</u>	<u>117,900</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>					
Title I Cluster:					
Title I Grants to Local Educational Agencies	84.010	790,225	-	745,543	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	229,957	-	235,549	-
Total Title I Cluster		<u>1,020,182</u>	<u>-</u>	<u>981,092</u>	<u>-</u>
Special Education Cluster:					
Special Education Grants to States	84.027	429,115	-	408,917	-
Special Education Preschool Grants	84.173	-	6,486	-	6,486
ARRA - Special Education Grants to States, Recovery Act	84.391	255,477	-	294,174	-
ARRA Special Education Preschool Grants, Recovery Act	84.392	-	14,875	-	14,875
Total Special Education Cluster		<u>684,592</u>	<u>21,361</u>	<u>703,091</u>	<u>21,361</u>
Education Technology State Grants	84.318	11,099	-	3,798	-
Reading First	84.357	376,434	-	354,222	-
Rural Education	84.358	18,939	-	16,488	-
Improving Teacher Quality State Grants	84.367	104,921	-	101,244	-
Teacher Incentive Fund	84.385	29,915	-	27,643	-
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	1,043,452	-	1,043,452	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top, Recovery Act	84.395	8,287	-	1,828	-
Total U.S. Department of Education		<u>3,297,821</u>	<u>21,361</u>	<u>3,232,858</u>	<u>21,361</u>
Total Federal Awards		<u>\$ 3,927,852</u>	<u>\$ 139,261</u>	<u>\$ 3,863,460</u>	<u>\$ 139,261</u>

The accompanying notes are an integral part of this schedule.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D – NONCASH AWARDS

The District had the following federal cash receipts and cash disbursements which were received and disbursed by the Perry-Hocking Educational Service Center on behalf of the District for fiscal year 2011:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$6,486	\$6,486
ARRA – Special education Preschool Grants	84.392	14,875	14,875

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts between 2010 to 2011 programs:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Transferred Between 2010 to 2011</u>
Title I Grants to Local educational Agencies	84.010	\$33,597
Special Education Grants to States	84.027	24,416
Education Technology State Grants	84.318	2,509
Rural Education	84.358	3,800
Improving Teacher Quality State Grants	84.367	8,503



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards

Board of Education
New Lexington City School District
1605 Airport Road
New Lexington, Ohio 43764

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the District) as of and for the fiscal year ended June 30, 2011 which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2011, wherein we noted that the District implemented GASB Statement No. 54 which resulted in a restatement of fund balances, as disclosed in Note 17. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

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New Lexington City School District
Perry County
Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

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

We also noted certain matters involving internal control over financial reporting or compliance and other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 28, 2011.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 28, 2011



Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required By OMB Circular A-133

Board of Education
New Lexington City School District
1605 Airport Road
New Lexington, Ohio 43764

To the Board of Education:

Compliance

We have audited the compliance of New Lexington City School District, Perry County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the New Lexington City School District, Perry County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-02.

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Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2011-02. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 28, 2011.

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

Wilson, Shuman & Snow, Inc.

December 28, 2011

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>Title I Cluster: Title I Grants to Local Educational Agencies\CFDA #84.010, Title I Grants to Local Educational Agency, Recovery Act\CFDA #84.389</p> <p>State Fiscal Stabilization Fund – Education State Grants, Recovery Act\CFDA #84.394</p> <p>Special Education Cluster: Special Education Grants to States\CFDA #84.027, Special Education Preschool Grants\CFDA #84.173, Special Education Grants to States, Recovery Act\CFDA #84.391, Special Education Preschool Grants, Recovery Act\CFDA #84.392</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2011

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

Finding Number	2011-01
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Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio, which is a basis of accounting other than generally accepted accounting principles.

The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District file its annual report in accordance with accounting principles generally accepted in the United States of America. The District may find the information contained within the GAAP financial statements to be helpful in future projections and budgeting funds.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Noncompliance and Significant Deficiency

Finding Number	2011-02
CFDA Title and number	Title I Cluster: Title I Grants to Local Educational Agencies\CFDA #84.010, Title I Grants to Local Educational Agency, Recovery Act\CFDA #84.389
Federal Award Number/Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Activities Allowed or Unallowed

Questioned Cost - \$19,027.74

Under OMB Circular A-87, provisions for federal expenditures include expenditures are authorized or not prohibited under State or local laws or regulations and is within the grant budgeted amount.

The fiscal year 2011 Building Eligibility Report for the Title I Consolidated Grant Application identified only the two elementary schools of the District as receiving Title I services. Grant budgets only included activities for the two elementary buildings. Allowable activities and expenses within the Title I fund should relate specifically to expenses for grant program services at the two District elementary buildings.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

JUNE 30, 2011

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -Continued

Noncompliance and Significant Deficiency - Continued

Finding Number	2011-02
CFDA Title and number	Title I Cluster: Title I Grants to Local Educational Agencies\CFDA #84.010, Title I Grants to Local Educational Agency, Recovery Act\CFDA #84.389
Federal Award Number/Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

The District purchased accelerated reader/math web-based software during fiscal year 2011 for the two elementary schools and the middle school. Check #75206 issued to Renaissance Learning Inc. for \$62,664.59 was expensed from the Title I fund for all three District buildings. The portion of the expense related to the District middle school building is \$14,851.60. In addition, the District charged \$4,176.14 in payroll expenditures for middle school tutors. These expenditures are considered questioned costs and an unallowable expense based on the District’s middle school not identified as a District school building eligible to receive Title I services for fiscal year 2011.

We recommend the District enhance controls over the approval of purchases made from grant funds as to assure all expenditures recorded in the grant fund are in compliance with grant budgets and allowable under OMB Circular A-87.

Officials Response: The District did set up the Middle School to receive Title I service under the ARRA-Title I Grant and had anticipated the above expenditure to be recorded within the ARRA-Title I fund (572-9320); however, the expenditure was incorrectly recorded when the purchase order was established and subsequently the payment was made based on the purchase order. The District Treasurer is working on a corrective action for this error.

NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.505

JUNE 30, 2011

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2010-001	Financial reporting	No	Reissued for fiscal year 2011.



INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the District amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 28, 2011

Wilson, Shannon & Snow, Inc.

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Dave Yost • Auditor of State

NEW LEXINGTON CITY SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2012