



Dave Yost • Auditor of State



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, Ohio (the School District), as of and for the fiscal years ended June 30, 2012 and June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, Ohio, as of June 30, 2012 and June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the fiscal years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on them.



**Dave Yost**  
Auditor of State

March 1, 2013

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
UNAUDITED**

The discussion and analysis of New Knoxville Local School District's financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2012 and June 30, 2011, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**Using This Annual Report**

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For New Knoxville Local School District, the General Fund is the most significant fund.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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UNAUDITED  
(Continued)**

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

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General Fund.

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

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

**THE SCHOOL DISTRICT AS A WHOLE**

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

**Fiscal Year 2012 and Fiscal Year 2011**  
**Table 1 - Net Assets**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2012</b>	<b>2011</b>	
<b>Assets:</b>			
Total Assets	\$3,950,237	\$3,957,178	(\$6,941)
<b>Net Assets:</b>			
Restricted	785,596	849,375	(63,779)
Unrestricted	3,164,641	3,107,803	56,838
Total Net Assets	\$3,950,237	\$3,957,178	(\$6,941)

Restricted net assets decreased as monies were spent on programs paid with grant funds and to make debt payments. Unrestricted net assets increased as unrestricted receipts continue to be in excess of disbursements.

**Fiscal Year 2011 and Fiscal Year 2010**  
**Table 1 - Net Assets**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2011</b>	<b>2010 (Restated)</b>	
<b>Assets:</b>			
Total Assets	\$3,957,178	\$3,636,305	\$320,873
<b>Net Assets:</b>			
Restricted	849,375	913,098	(63,723)
Unrestricted	3,107,803	2,723,207	384,596
Total Net Assets	\$3,957,178	\$3,636,305	\$320,873

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
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Restricted net assets decreased as monies were spent on programs paid with grant funds and to make debt payments. Unrestricted net assets increased as unrestricted receipts continue to cover disbursements of the School District.

Table 2 reflects the change in net assets:

**Fiscal Year 2012 and Fiscal Year 2011  
Table 2 - Change in Net Assets**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2012</b>	<b>2011</b>	
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$ 398,708	\$ 417,514	(\$ 18,806)
Operating Grants, Contributions, and Interest	503,206	406,448	96,758
Total Program Receipts	<u>901,914</u>	<u>823,962</u>	<u>77,952</u>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	1,000,197	991,077	9,120
Property Taxes Levied for Debt Service	261,365	237,810	23,555
Property Taxes Levied for Permanent Improvements	33,596	33,534	62
Income Taxes	666,697	601,356	65,341
Grants and Entitlements	2,015,701	2,207,274	(191,573)
Interest	12,678	19,398	(6,720)
Gifts and Donations	61,600	155,640	(94,040)
Miscellaneous	37,291	45,702	(8,411)
Total General Receipts	<u>4,089,125</u>	<u>4,291,791</u>	<u>(202,666)</u>
Total Receipts	<u>4,991,039</u>	<u>5,115,753</u>	<u>(124,714)</u>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	2,345,795	2,222,429	(123,366)
Special	388,711	374,363	(14,348)
<b>Support Services:</b>			
Pupils	37,291	60,180	22,889
Instructional Staff	130,337	141,289	10,952
Board of Education	18,845	21,654	2,809
Administration	386,625	454,897	68,272
Fiscal	148,638	140,365	(8,273)
Operation and Maintenance of Plant	471,474	421,069	(50,405)
Pupil Transportation	132,111	76,637	(55,474)
Central	74,973	80,668	5,695
Non-instructional Services	142,694	135,910	(6,784)
Extracurricular Activities	283,909	238,449	(45,460)
Capital Outlay	9,259	1,080	(8,179)
<b>Debt Service:</b>			
Principal Retirement	275,943	262,762	(13,181)
Interest and Fiscal Charges	151,375	163,128	11,753
Total Disbursements	<u>4,997,980</u>	<u>4,794,880</u>	<u>(203,100)</u>
Increase (Decrease) in Net Assets	<u>(6,941)</u>	<u>320,873</u>	<u>(327,814)</u>
Net Assets at Beginning of Year	<u>3,957,178</u>	<u>3,636,305</u>	<u>320,873</u>
Net Assets at End of Year	<u>\$3,950,237</u>	<u>\$3,957,178</u>	<u>(\$ 6,941)</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
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Program receipts increased 9.5 percent in fiscal year 2012. Program receipts are primarily represented by restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Charges for services decreased from a decrease in open enrollment students. Operating grants, contributions, and interest increased from additional Education Jobs and IDEA B grants.

General receipts represented 82 percent of the School District's total receipts in fiscal year 2012. Grants and entitlements decreased significantly. The School District received funding for budget stabilization in fiscal year 2011. In fiscal year 2011, the School District received additional donations from a probated will.

Total disbursements increased by 4 percent; however, there were significant increases and decreases within the programs. Costs for regular and special instruction increased from the hiring of additional teachers and aides. Support service costs in the fiscal, operation and maintenance of plant, and pupil transportation increased from auditor and treasurer fees charged for the collection of property taxes, various improvements made to the instructional building, and the purchase of a used school bus. Extracurricular activities costs increased from the purchase of equipment with donated receipts. Disbursements for capital outlay increased from the purchase of a sound system.

Disbursements for the pupils, instructional staff, board of education, administration, and central programs decreased. The decrease in costs for pupils support services was the result of the severance payment to a guidance counselor. Instructional staff disbursements decreased by replacing a full-time school librarian with an aide. Board of education disbursements decreased from a reduction of costs in periodicals and changing third-party administrators for workers' compensation. Administration disbursements decreased from the resignation of the elementary school principal who was not replaced. Costs for central support services decreased from fewer disbursements in fiscal year 2012.

**Fiscal Year 2011 and Fiscal Year 2010  
Table 2 - Change in Net Assets**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2011</b>	<b>2010 (Restated)</b>	
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$ 417,514	\$ 421,414	(\$ 3,900)
Operating Grants, Contributions, and Interest	406,448	483,371	(76,923)
<b>Total Program Receipts</b>	<b>823,962</b>	<b>904,785</b>	<b>(80,823)</b>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	991,077	995,150	(4,073)
Property Taxes Levied for Debt Service	237,810	237,539	271
Property Taxes Levied for Permanent Improvements	33,534	33,615	(81)
Income Taxes	601,356	599,308	2,048
Grants and Entitlements	2,207,274	2,616,057	(408,783)
Interest	19,398	23,452	(4,054)
Gifts and Donations	155,640		155,640
Miscellaneous	45,702	35,642	10,060
<b>Total General Receipts</b>	<b>4,291,791</b>	<b>4,540,763</b>	<b>(248,972)</b>
<b>Total Receipts</b>	<b>5,115,753</b>	<b>5,445,548</b>	<b>(329,795)</b>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	2,222,429	2,127,560	(94,869)
Special	374,363	376,461	2,098

(Continued)

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
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(Continued)**

**Fiscal Year 2011 and Fiscal Year 2010  
Table 2 - Change in Net Assets  
(Continued)**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2011</b>	<b>2010 (Restated)</b>	
<b>Support Services:</b>			
Pupils	\$ 60,180	\$ 70,320	\$ 10,140
Instructional Staff	141,289	164,627	23,338
Board of Education	21,654	17,618	(4,036)
Administration	454,897	443,174	(11,723)
Fiscal	140,365	155,845	15,480
Operation and Maintenance of Plant	421,069	452,958	31,889
Pupil Transportation	76,637	156,501	79,864
Central	80,668	88,409	7,741
Non-instructional Services	135,910	136,393	483
Extracurricular Activities	238,449	273,487	35,038
Capital Outlay	1,080	583,024	581,944
<b>Debt Service:</b>			
Principal Retirement	262,762	254,109	(8,653)
Interest and Fiscal Charges	163,128	174,918	11,790
Total Disbursements	<u>4,794,880</u>	<u>5,475,404</u>	<u>680,524</u>
Increase (Decrease) in Net Assets	320,873	(29,856)	350,729
Net Assets at Beginning of Year	<u>3,636,305</u>	<u>3,666,161</u>	<u>(29,856)</u>
Net Assets at End of Year	<u>\$3,957,178</u>	<u>\$3,636,305</u>	<u>\$320,873</u>

Program receipts decreased 9 percent in fiscal year 2011. Program receipts are primarily represented by restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Charges for services decreased from a decrease in open enrollment students. Operating grants, contributions, and interest decreased from additional IDEA B grants that had been received in fiscal year 2010 through the American Reinvestment and Recovery Act.

General receipts represented 84 percent of the School District's total receipts in fiscal year 2011. Grants and entitlements decreased significantly. The School District received the final payment through the Ohio School Facilities Commission in fiscal year 2010 for the renovation of the instructional building. In fiscal year 2011, the School District received donations from a probated will and from a grocery store promotion.

Costs for regular instruction increased from a scheduled pay increase and increases in health care costs. Disbursements for the pupils, instructional staff, fiscal, and operation and maintenance of plant, and pupil transportation programs decreased. The decrease in costs for pupils support services was the result of replacing a guidance counselor at a lower per diem rate. Instructional staff disbursements decreased by replacing a full-time school librarian with an aide. Fiscal support services decreased as disbursements associated with property tax collections were lower in fiscal year 2011. The costs associated with operation and maintenance of plant decreased primarily from the School District using a credit on the natural gas utility bill. The decrease in pupil transportation program costs occurred from the purchase of a school bus in fiscal year 2010.

Disbursements for capital outlay decreased from finalizing the construction of the addition and renovation of the instructional building in fiscal year 2010.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Fiscal Year 2012 and Fiscal Year 2011  
Table 3 - Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
<b>Instruction:</b>				
Regular	\$2,345,795	\$2,222,429	\$2,009,898	\$1,916,984
Special	388,711	374,363	142,466	139,778
Vocational			(15,314)	(15,314)
<b>Support Services:</b>				
Pupils	37,291	60,180	37,291	60,180
Instructional Staff	130,337	141,289	130,337	141,289
Board of Education	18,845	21,654	18,845	21,654
Administration	386,625	454,897	386,625	454,897
Fiscal	148,638	140,365	148,638	140,365
Operation and Maintenance of Plant	471,474	421,069	460,515	410,110
Pupil Transportation	132,111	76,637	126,803	73,827
Central	74,973	80,668	71,373	71,117
Non-instructional Services	142,694	135,910	(23,556)	(13,590)
Extracurricular Activities	283,909	238,449	165,568	142,651
Capital Outlay	9,259	1,080	9,259	1,080
Debt Service:				
Principal Retirement	275,943	262,762	275,943	262,762
Interest and Fiscal Charges	151,375	163,128	151,375	163,128
<b>Total Disbursements</b>	<u>\$4,997,980</u>	<u>\$4,794,880</u>	<u>\$4,096,066</u>	<u>\$3,970,918</u>

The above table indicates that 18 percent of the cost of services in fiscal year 2012 was financed through user charges and grants awarded for specific programs which is comparable to the prior fiscal year. The remaining 82 percent of the total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

The most significant program receipts from restricted grants are associated with the special instruction and the vocational instruction programs, along with non-instructional services. The School District received 63 percent in funding in fiscal year 2012 for special education which was comparable to the prior fiscal year. Non-instructional services (which consist of food service) were fully funded in fiscal year 2012 through charges for services and federal and state funds for providing meals to students. Other material program receipts were received for extracurricular programs (consisting of sport-related and trip charges that are received to finance these activities).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Fiscal Year 2011 and Fiscal Year 2010  
Table 3 - Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010 (Restated)	2011	2010 (Restated)
<b>Instruction:</b>				
Regular	\$2,222,429	\$2,127,560	\$1,916,984	\$1,820,550
Special	374,363	376,461	139,778	73,655
Vocational			(15,314)	(15,200)
<b>Support Services:</b>				
Pupils	60,180	70,320	60,180	70,320
Instructional Staff	141,289	164,627	141,289	164,627
Board of Education	21,654	17,618	21,654	17,618
Administration	454,897	443,174	454,897	443,174
Fiscal	140,365	155,845	140,365	155,845
Operation and Maintenance of Plant	421,069	452,958	410,110	441,998
Pupil Transportation	76,637	156,501	73,827	147,186
Central	80,668	88,409	71,117	78,836
Non-instructional Services	135,910	136,393	(13,590)	(17,622)
Extracurricular Activities	238,449	273,487	142,651	177,581
Capital Outlay	1,080	583,024	1,080	583,024
<b>Debt Service:</b>				
Principal Retirement	262,762	254,109	262,762	254,109
Interest and Fiscal Charges	163,128	174,918	163,128	174,918
<b>Total Disbursements</b>	<b>\$4,794,880</b>	<b>\$5,475,404</b>	<b>\$3,970,918</b>	<b>\$4,570,619</b>

The above table indicates that 17 percent of the cost of services in fiscal year 2011 was financed through user charges and grants awarded for specific programs which is comparable to the prior fiscal year. The remaining 83 percent of the total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

The most significant program receipts from restricted grants are associated with the special instruction and the vocational instruction programs, along with non-instructional services. Although fewer federal grants were received in fiscal year 2011 for special education, program receipts provided over 62 percent of resources to cover the program. Non-instructional services (which consist of food service) were fully funded in fiscal year 2011 through charges for services and federal and state funds for providing meals to students. Other material program receipts were received for extracurricular programs (consisting of sport-related and trip charges that are received to finance these activities).

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's only major governmental fund is the General Fund. There was an insignificant change in General Fund balance between fiscal year end 2012 and 2011.

While comparing fiscal year end 2011 to 2010, the General Fund balance increased by over 14 percent from receipts exceeding disbursements. Receipts increased by 4 percent in fiscal year 2011 principally from the large donation from a probate will. Disbursements decreased by approximately 1 percent

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**GENERAL FUND BUDGETING HIGHLIGHTS**

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

During fiscal year 2012, for receipts, there was no change from the original budget to the final budget and the change from the final budget to actual receipts was not significant. While for disbursements, the change from the original budget to the final budget was significant. The School District increased appropriations in most instances rather than reallocating existing appropriations as long as there were available resources. Based on this practice, final disbursements were 21 percent less than final appropriations.

During fiscal year 2011, for receipts, changes from the original budget to the final budget as well as from the final budget to actual receipts were not significant. While for disbursements, the change from the original budget to the final budget was not significant.

The change from the final budget to actual disbursements was a decrease of 16 percent. The School District over-budgeted so that appropriation modifications would not be necessary throughout the year.

**DEBT ADMINISTRATION**

At June 30, 2012, the School District's outstanding debt included general obligation bonds and loans for construction of additions to school facilities, in the amount of \$3,034,765 and \$667,186, respectively. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

At June 30, 2011, the School District's outstanding debt included general obligation bonds and loans for construction of additions to school facilities, in the amount of \$3,229,765 and \$748,129, respectively. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

**CURRENT ISSUES**

For fiscal year 2013, the administration and classified employees received pay increases and certified employees received step increases per the negotiated agreement. The School District has been notified that medical premiums will increase between 9 to 10 percent in January 2013; however, prescription and dental premiums are not anticipated to increase.

For fiscal year 2012, there were no pay increases per the negotiated agreement. The School District has been notified that health care premiums will increase by 6.6 percent in January 2012. Income tax receipts are expected to increase by 3 percent based on estimates provided by the Ohio Department of Taxation. The School District will not receive any additional federal stimulus dollars and Foundation payments are to stay relatively the same for fiscal year 2012.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Catherine Doseck, Treasurer, 345 South Main Street, P.O. Box 476, New Knoxville, Ohio 45871.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,950,237</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	201,324
Capital Projects	205,594
Other Purposes	378,678
Unrestricted	<u>3,164,641</u>
Total Net Assets	<u><u>\$3,950,237</u></u>

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Program Cash Receipts</b>			<b>Net (Disbursement) Receipt and Change in Net Assets</b>
<b>Disbursements</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions, and Interest</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$2,345,795	\$170,404	\$165,493	(\$2,009,898)
Special	388,711		246,245	(142,466)
Vocational			15,314	15,314
<b>Support Services:</b>				
Pupils	37,291			(37,291)
Instructional Staff	130,337			(130,337)
Board of Education	18,845			(18,845)
Administration	386,625			(386,625)
Fiscal	148,638			(148,638)
Operation and Maintenance of Plant	471,474		10,959	(460,515)
Pupil Transportation	132,111		5,308	(126,803)
Central	74,973		3,600	(71,373)
Non-instructional Services	142,694	126,002	40,248	23,556
Extracurricular Activities	283,909	102,302	16,039	(165,568)
Capital Outlay	9,259			(9,259)
<b>Debt Service:</b>				
Principal Retirement	275,943			(275,943)
Interest and Fiscal Charges	151,375			(151,375)
<b>Total Governmental Activities</b>	<b>\$4,997,980</b>	<b>\$398,708</b>	<b>\$503,206</b>	<b>(4,096,066)</b>
 <b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				1,000,197
Debt Service				261,365
Permanent Improvements				33,596
Income Taxes				666,697
Grants and Entitlements not Restricted to Specific Programs				2,015,701
Interest				12,678
Gifts and Donations				61,600
Miscellaneous				37,291
<b>Total General Receipts</b>				<b>4,089,125</b>
Change in Net Assets				(6,941)
Net Assets at Beginning of Year				3,957,178
Net Assets at End of Year				<b>\$3,950,237</b>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<b>General</b>	<b>Other Governmental</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,164,641	\$785,596	\$3,950,237
<b>Fund Balances:</b>			
Restricted		785,596	785,596
Assigned	344,879		344,879
Unassigned	2,819,762		2,819,762
Total Fund Balances	\$3,164,641	\$785,596	\$3,950,237

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts:</b>			
Property Taxes	\$1,000,197	\$294,961	\$1,295,158
Income Taxes	666,697		666,697
Intergovernmental	2,144,611	349,545	2,494,156
Interest	12,678	810	13,488
Tuition and Fees	170,404		170,404
Charges for Services		126,002	126,002
Extracurricular Activities	6,560	95,742	102,302
Gifts and Donations	69,902	15,639	85,541
Miscellaneous	36,705	586	37,291
Total Receipts	<u>4,107,754</u>	<u>883,285</u>	<u>4,991,039</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	2,233,261	112,534	2,345,795
Special	294,774	93,937	388,711
<b>Support Services:</b>			
Pupils	37,291		37,291
Instructional Staff	105,506	24,831	130,337
Board of Education	18,845		18,845
Administration	386,017	608	386,625
Fiscal	142,093	6,545	148,638
Operation and Maintenance of Plant	389,968	81,506	471,474
Pupil Transportation	80,741	51,370	132,111
Central	69,303	5,670	74,973
Non-instructional Services		142,694	142,694
Extracurricular Activities	179,031	104,878	283,909
Capital Outlay	9,259		9,259
<b>Debt Service:</b>			
Principal Retirement		275,943	275,943
Interest and Fiscal Charges		151,375	151,375
Total Disbursements	<u>3,946,089</u>	<u>1,051,891</u>	<u>4,997,980</u>
Excess of Receipts Over (Under) Disbursements	<u>161,665</u>	<u>(168,606)</u>	<u>(6,941)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In		139,113	139,113
Transfers Out	(106,516)	(32,597)	(139,113)
Total Other Financing Sources (Uses)	<u>(106,516)</u>	<u>106,516</u>	
Changes in Fund Balances	55,149	(62,090)	(6,941)
Fund Balances at Beginning of Year	<u>3,109,492</u>	<u>847,686</u>	<u>3,957,178</u>
Fund Balances at End of Year	<u>\$3,164,641</u>	<u>\$785,596</u>	<u>\$3,950,237</u>

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$995,000	\$995,000	\$1,000,197	\$5,197
Income Taxes	667,950	667,950	666,697	(1,253)
Intergovernmental	2,143,200	2,143,200	2,144,611	1,411
Interest	17,050	17,050	12,678	(4,372)
Tuition and Fees	171,000	171,000	170,404	(596)
Extracurricular Activities	37,725	6,500	6,560	60
Gifts and Donations	137,250	137,250	69,902	(67,348)
Miscellaneous	2,550	33,775	36,705	2,930
<b>Total Receipts</b>	<u>4,171,725</u>	<u>4,171,725</u>	<u>4,107,754</u>	<u>(63,971)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,216,105	2,643,405	2,249,447	393,958
Special	273,336	408,336	317,988	90,348
<b>Support Services:</b>				
Pupils	45,180	45,180	37,291	7,889
Instructional Staff	117,530	117,530	105,506	12,024
Board of Education	37,130	52,130	18,845	33,285
Administration	430,579	430,579	386,513	44,066
Fiscal	148,750	213,750	151,715	62,035
Operation and Maintenance of Plant	484,482	584,482	400,068	184,414
Pupil Transportation	89,794	183,794	85,032	98,762
Central	86,580	89,280	69,303	19,977
Extracurricular Activities	157,203	212,203	179,871	32,332
Capital Outlay	10,000	110,000	9,259	100,741
<b>Total Disbursements</b>	<u>4,096,669</u>	<u>5,090,669</u>	<u>4,010,838</u>	<u>1,079,831</u>
(Under) Disbursements	75,056	(918,944)	96,916	1,015,860
<b>Other Financing Uses:</b>				
Transfers Out	(108,000)	(108,000)	(106,516)	1,484
Changes in Fund Balance	(32,944)	(1,026,944)	(9,600)	1,017,344
Fund Balance at Beginning of Year	3,066,208	3,066,208	3,066,208	
Prior Year Encumbrances Appropriated	43,284	43,284	43,284	
<b>Fund Balance at End of Year</b>	<u>\$3,076,548</u>	<u>\$2,082,548</u>	<u>\$3,099,892</u>	<u>\$1,017,344</u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b>Private Purpose Trust</b>	<b>Agency</b>
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$30,774	\$32,217
	<u>          </u>	<u>          </u>
<b>Net Assets:</b>		
Endowments	10,000	
Held for Trust for Scholarships	20,774	
Held for Student Activities		32,217
Total Net Assets	\$30,774	\$32,217
	<u>          </u>	<u>          </u>

*See accompanying notes to the basic financial statements.*

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Additions:**

Interest	\$339
Gifts and Donations	<u>66</u>
Total Receipts	<u>405</u>

**Deductions:**

Non-instructional Services	<u>850</u>
Change in Net Assets	(445)
Net Assets at Beginning of Year	<u>31,219</u>
Net Assets at End of Year	<u><u>\$30,774</u></u>

*See accompanying notes to the basic financial statements.*

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,957,178</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	225,637
Capital Projects	286,781
Other Purposes	336,461
Setasides	496
Unrestricted	<u>3,107,803</u>
Total Net Assets	<u><u>\$3,957,178</u></u>

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<u>Program Cash Receipts</u>			<b>Net (Disbursement) Receipt and Change in Net Assets</b>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$2,222,429	\$200,818	\$104,627	(\$1,916,984)
Special	374,363		234,585	(139,778)
Vocational			15,314	15,314
<b>Support Services:</b>				
Pupils	60,180			(60,180)
Instructional Staff	141,289			(141,289)
Board of Education	21,654			(21,654)
Administration	454,897			(454,897)
Fiscal	140,365			(140,365)
Operation and Maintenance of Plant	421,069		10,959	(410,110)
Pupil Transportation	76,637		2,810	(73,827)
Central	80,668		9,551	(71,117)
Non-instructional Services	135,910	122,543	26,957	13,590
Extracurricular Activities	238,449	94,153	1,645	(142,651)
Capital Outlay	1,080			(1,080)
<b>Debt Service:</b>				
Principal Retirement	262,762			(262,762)
Interest and Fiscal Charges	163,128			(163,128)
<b>Total Governmental Activities</b>	<u><u>\$4,794,880</u></u>	<u><u>\$417,514</u></u>	<u><u>\$406,448</u></u>	<u><u>(3,970,918)</u></u>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				991,077
Debt Service				237,810
Permanent Improvements				33,534
Income Taxes				601,356
Grants and Entitlements not Restricted to Specific Programs				2,207,274
Interest				19,398
Gifts and Donations				155,640
Miscellaneous				45,702
<b>Total General Receipts</b>				<u><u>4,291,791</u></u>
Change in Net Assets				320,873
Net Assets at Beginning of Year - Restated (Note 3)				<u><u>3,636,305</u></u>
Net Assets at End of Year				<u><u>\$3,957,178</u></u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,108,996	\$847,686	\$3,956,682
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	496		496
Total Assets	<u>\$3,109,492</u>	<u>\$847,686</u>	<u>\$3,957,178</u>
<b>Fund Balances:</b>			
Restricted	496	848,879	849,375
Assigned	260,218		260,218
Unassigned (Deficit)	2,848,778	(1,193)	2,847,585
Total Fund Balances	<u>\$3,109,492</u>	<u>\$847,686</u>	<u>\$3,957,178</u>

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts:</b>			
Property Taxes	\$991,077	\$271,344	\$1,262,421
Income Taxes	601,356		601,356
Intergovernmental	2,148,829	458,556	2,607,385
Interest	19,398	393	19,791
Tuition and Fees	200,818		200,818
Charges for Services		122,543	122,543
Extracurricular Activities	7,184	86,969	94,153
Gifts and Donations	160,789	795	161,584
Miscellaneous	45,702		45,702
Total Receipts	<u>4,175,153</u>	<u>940,600</u>	<u>5,115,753</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	2,069,575	152,854	2,222,429
Special	228,317	146,046	374,363
<b>Support Services:</b>			
Pupils	60,180		60,180
Instructional Staff	113,704	27,585	141,289
Board of Education	21,654		21,654
Administration	436,240	18,657	454,897
Fiscal	130,676	9,689	140,365
Operation and Maintenance of Plant	376,859	44,210	421,069
Pupil Transportation	74,739	1,898	76,637
Central	40,917	39,751	80,668
Non-instructional Services		135,910	135,910
Extracurricular Activities	153,343	85,106	238,449
Capital Outlay		1,080	1,080
<b>Debt Service:</b>			
Principal Retirement		262,762	262,762
Interest and Fiscal Charges		163,128	163,128
Total Disbursements	<u>3,706,204</u>	<u>1,088,676</u>	<u>4,794,880</u>
Excess of Receipts Over (Under) Disbursements	<u>468,949</u>	<u>(148,076)</u>	<u>320,873</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In		85,726	85,726
Transfers Out	(74,767)	(10,959)	(85,726)
Total Other Financing Sources (Uses)	<u>(74,767)</u>	<u>74,767</u>	
Changes in Fund Balances	394,182	(73,309)	320,873
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,715,310</u>	<u>920,995</u>	<u>3,636,305</u>
Fund Balances at End of Year	<u>\$3,109,492</u>	<u>\$847,686</u>	<u>\$3,957,178</u>

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$1,044,511	\$1,044,511	\$991,077	(\$53,434)
Income Taxes	490,000	590,800	601,356	10,556
Intergovernmental	2,246,587	2,142,233	2,148,829	6,596
Interest	14,000	14,100	19,398	5,298
Tuition and Fees	199,270	200,270	200,818	548
Extracurricular Activities	7,000	7,000	7,184	184
Gifts and Donations	160,243	160,243	160,789	546
Miscellaneous	27,900	46,022	45,702	(320)
<b>Total Receipts</b>	<u>4,189,511</u>	<u>4,205,179</u>	<u>4,175,153</u>	<u>(30,026)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,383,776	2,398,776	2,089,107	309,669
Special	309,440	319,440	228,317	91,123
<b>Support Services:</b>				
Pupils	76,880	76,880	60,180	16,700
Instructional Staff	171,950	171,950	113,704	58,246
Board of Education	35,500	35,500	21,654	13,846
Administration	467,385	467,385	436,414	30,971
Fiscal	166,725	166,725	140,656	26,069
Operation and Maintenance of Plant	465,748	465,748	387,910	77,838
Pupil Transportation	98,048	98,048	76,283	21,765
Central	69,360	73,460	40,917	32,543
Extracurricular Activities	168,495	172,795	154,346	18,449
<b>Total Disbursements</b>	<u>4,413,307</u>	<u>4,446,707</u>	<u>3,749,488</u>	<u>697,219</u>
Excess of Receipts Over (Under) Disbursements	(223,796)	(241,528)	425,665	667,193
<b>Other Financing Uses:</b>				
Transfers Out		(100,900)	(74,767)	26,133
Changes in Fund Balance	(223,796)	(342,428)	350,898	693,326
Fund Balance at Beginning of Year	2,637,050	2,637,050	2,637,050	
Prior Year Encumbrances Appropriated	78,260	78,260	78,260	
<b>Fund Balance at End of Year</b>	<u><u>\$2,491,514</u></u>	<u><u>\$2,372,882</u></u>	<u><u>\$3,066,208</u></u>	<u><u>\$693,326</u></u>

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$31,219	\$34,553
	<u>          </u>	<u>          </u>
<b>Net Assets:</b>		
Endowments	10,000	
Held for Trust for Scholarships	21,219	
Held for Student Activities		34,553
Total Net Assets	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

*See accompanying notes to the basic financial statements.*

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Additions:</b>	
Interest	<u>\$886</u>
<b>Deductions:</b>	
Non-instructional Services	<u>500</u>
Change in Net Assets	386
Net Assets at Beginning of Year - Restated (Note 3)	<u>30,833</u>
Net Assets at End of Year	<u><u>\$31,219</u></u>

*See accompanying notes to the basic financial statements.*

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District serves an area of approximately twenty-seven square miles. It is located in Auglaize and Shelby Counties. The School District is the 601st largest in the State of Ohio (among 612 school districts) in terms of enrollment. During 2012, it was staffed by sixteen classified employees, thirty-two certified teaching personnel, and three administrative employees who provide services to 433 students and other community members. While during 2011, it was staffed by fifteen classified employees, thirty-three certified teaching personnel, and four administrative employees who provide services to 453 students and other community members. The School District currently operates one school building.

**Reporting Entity**

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

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

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Ohio School Plan, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's only major fund is the General Fund.

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

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

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the function and object level for all funds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**E. Cash and Investments**

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

The School District allocates interest according to State statutes. During fiscal year 2012, interest revenue credited to the General Fund was \$12,678, which includes \$4,077 assigned from other School District funds. While during fiscal year 2011, interest revenue credited to the General Fund was \$19,398, which includes \$6,888 assigned from other School District funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**F. Capital Assets**

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

**G. Compensated Absences**

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

**H. Long-Term Obligations**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Net Assets**

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

**J. Fund Balance**

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

The classifications are as follows:

**Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

**Committed** - The committed classification includes amounts that can be used only for the specific purposes 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 that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Interfund Activity**

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

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

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

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

	<b>General</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
Fund Balance at June 30, 2010	\$2,704,382	\$961,389	\$3,665,771
Change in Fund Structure	10,928	(40,394)	(29,466)
Adjusted Fund Balance at June 30, 2010	<u>\$2,715,310</u>	<u>\$920,995</u>	<u>\$3,636,305</u>

The restatement had the following effect on net assets:

	<b>Governmental Activities</b>	<b>Private Purpose Trust</b>
Net Assets June 30, 2010	\$3,665,771	\$10,565
Change in Fund Structure	(29,466)	20,268
Adjusted Net Assets at June 30, 2010	<u>\$3,636,305</u>	<u>\$30,833</u>

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2011, the Title I special revenue fund had a deficit fund balance, in the amount of \$1,193, resulting from receipts exceeding disbursements. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**B. Compliance**

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

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper if training requirements have been met.

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

**6. PROPERTY TAXES**

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

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

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

The School District receives property taxes from Auglaize and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

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(Continued)**

**6. PROPERTY TAXES (Continued)**

	<b>2011 Second- Half Collections</b>		<b>2012 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$45,767,560	98.31%	\$48,816,270	98.38%
Public Utility	785,350	1.69	805,360	1.62
Total Assessed Value	<u>\$46,552,910</u>	<u>100.00%</u>	<u>\$49,621,630</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.95		\$54.55	

The assessed values upon which fiscal year 2011 taxes were collected are:

	<b>2010 Second- Half Collections</b>		<b>2011 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	<u>\$45,436,380</u>	<u>100.00%</u>	<u>\$45,767,560</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.95		\$53.95	

**7. INCOME TAXES**

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

**8. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 2012 and 2011, the School District contracted with the Ohio School Plan for the following insurance coverage.

	<b>2012</b>	<b>2011</b>
Building and Contents	\$15,664,926	\$15,433,425
Earthquake	5,000,000	5,000,000
General Liability Aggregate	4,000,000	4,000,000
Automobile	2,000,000	2,000,000

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

For fiscal years 2012 and 2011, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. RISK MANAGEMENT (Continued)**

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

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

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

**Plan Description** - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor.

The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Funding Policy** - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal years ended June 30, 2012 and 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$203,211 and \$98 for the fiscal year ended June 30, 2012, \$190,483 and \$8,128 for the fiscal year ended June 30, 2011, and \$188,046 and \$7,367 for the fiscal year ended June 30, 2010. For fiscal year 2012, 82 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2011 and 2010.

During fiscal year 2012, the contribution to STRS Ohio for the DCP was \$175 made by the School District and \$125 made by the plan members. In addition, member contributions of \$70 were made for fiscal year 2012 for the defined contribution portion of the CP. While during fiscal year 2011, the contribution to STRS Ohio for the DCP was \$7,792 made by the School District and \$5,566 made by the plan members. In addition, member contributions of \$5,803 were made for fiscal year 2011 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

**Plan Description** - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund).

For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. While for fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent.

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(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$51,398, \$44,895, and \$48,951, respectively. For fiscal year 2012, 47 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. During fiscal years 2012 and 2011, none of the Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** - Chapter 3307 of the Ohio Revised Code 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years 2012 and 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$15,653, \$15,877, and \$15,620, respectively. For fiscal year 2012, 82 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**B. School Employees Retirement System**

**Plan Description** - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. POSTEMPLOYMENT BENEFITS**

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. While for fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal years 2012 and 2011, this amount was \$35,800. The School District paid \$6,150 and \$6,148 in surcharge for fiscal year 2012 and 2011, respectively.

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

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$2,226, \$5,436, and \$1,762, respectively. For fiscal year 2012, 47 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. This actuarially required allocation was .75 percent and .76 percent of covered payroll for fiscal year 2012 and 2011, respectively. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$3,035, \$2,889, and \$2,911, respectively. For fiscal year 2012, 47 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**11. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
General Obligations Bonds					
1998 High School Building					
Serial Bonds 4.00 - 5.00%	\$ 225,000		\$110,000	\$ 115,000	\$115,000
Capital Appreciation Bonds	39,768			39,768	
Total 1998 High School Building	<u>264,768</u>		<u>110,000</u>	<u>154,768</u>	<u>115,000</u>
2007 OSFC Building					
Serial Bonds 4%	660,000		70,000	590,000	75,000
Term Bonds 4 - 4.125%	1,085,000			1,085,000	
Capital Appreciation Bonds	54,999			54,999	
Total 2007 OSFC Building	<u>1,799,999</u>		<u>70,000</u>	<u>1,729,999</u>	<u>75,000</u>
2007 High School Refunding					
Serial Bonds 4%	490,000		15,000	475,000	15,000
Term Bonds 4 - 4.125%	595,000			595,000	
Capital Appreciation Bonds	79,998			79,998	
Total 2007 High School Refunding	<u>1,164,998</u>		<u>15,000</u>	<u>1,149,998</u>	<u>15,000</u>
Loan Payable 4.47%	748,129		80,943	667,186	84,253
Total General Long-Term Obligations	<u>\$3,977,894</u>	<u>\$0</u>	<u>\$275,943</u>	<u>\$3,701,951</u>	<u>\$289,253</u>

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>	<u>Amounts Due Within One Year</u>
General Obligations Bonds					
1998 High School Building					
Serial Bonds 4.00 - 5.00%	\$ 325,000		\$100,000	\$ 225,000	\$110,000
Capital Appreciation Bonds	39,768			39,768	
Total 1998 High School Building	<u>364,768</u>		<u>100,000</u>	<u>264,768</u>	<u>110,000</u>
2007 OSFC Building					
Serial Bonds 4%	730,000		70,000	660,000	70,000
Term Bonds 4 - 4.125%	1,085,000			1,085,000	
Capital Appreciation Bonds	54,999			54,999	
Total 2007 OSFC Building	<u>1,869,999</u>		<u>70,000</u>	<u>1,799,999</u>	<u>70,000</u>
2007 High School Refunding					
Serial Bonds 4%	505,000		15,000	490,000	15,000
Term Bonds 4 - 4.125%	595,000			595,000	
Capital Appreciation Bonds	79,998			79,998	
Total 2007 High School Refunding	<u>1,179,998</u>		<u>15,000</u>	<u>1,164,998</u>	<u>15,000</u>
Loan Payable 4.47%	825,891		77,762	748,129	80,943
Total General Long-Term Obligations	<u>\$4,240,656</u>	<u>\$0</u>	<u>\$262,762</u>	<u>\$3,977,894</u>	<u>\$275,943</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011  
(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

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

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

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

The capital appreciation bonds will mature in fiscal years 2014, 2015, and 2016. The maturity amount of the bonds is \$345,000.

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

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

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

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

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

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

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

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

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

<u>Year</u>	<u>Amount</u>
2021	\$145,000

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

<u>Year</u>	<u>Amount</u>
2023	\$155,000

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$260,000.

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

**Loan Payable**

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

At June 30, 2012, the School District's overall debt margin was \$1,560,023 with an un-voted debt margin of \$48,816. While at June 30, 2011, the School District's overall debt margin was \$1,114,952 with an un-voted debt margin of \$45,768.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2012, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2013	\$ 205,000	\$ 43,675		\$ 68,013
2014	90,000	37,200		68,012
2015	100,000	33,400		68,013
2016	100,000	29,400		68,012
2017		27,400		68,013
2018-2022	685,000	69,500	\$ 250,000	335,062
2023-2027			1,025,000	170,666
2027-2030			405,000	25,472
Totals	\$1,180,000	\$240,575	\$1,680,000	\$871,263

Fiscal Year Ending	General Obligation Bonds			
	Capital Appreciation		Loans Payable	
	Principal	Interest	Principal	Interest
2013			\$ 84,253	\$ 27,292
2014	\$ 15,008	\$ 99,992	87,699	23,846
2015	13,182	101,818	91,286	20,259
2016	11,578	103,422	95,019	16,525
2017	71,341	143,659	98,906	12,639
2018	63,656	151,344	210,023	12,976
Totals	\$174,765	\$600,235	\$667,186	\$113,537

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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(Continued)**

**13. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<b>Fiscal Year 2012 Fund Balance</b>	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted for:</b>			
Athletics and Music		\$120,156	\$ 120,156
Capital Improvements		296,540	296,540
Debt Retirement		201,324	201,324
Food Service Operations		130,028	130,028
Regular Instruction		36,475	36,475
Education Management			
Information Systems		500	500
Technology		573	573
Total Restricted		<u>785,596</u>	<u>785,596</u>
<b>Assigned for:</b>			
Educational Activities	\$ 15,443		15,443
Regular Instruction	268,342		268,342
Technology	4,385		4,385
Unpaid Obligations	56,709		56,709
Total Assigned	<u>344,879</u>		<u>344,879</u>
Unassigned	<u>2,819,762</u>		<u>2,819,762</u>
Total Fund Balance	<u>\$3,164,641</u>	<u>\$785,596</u>	<u>\$3,950,237</u>

<b>Fiscal Year 2011 Fund Balance</b>	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted for:</b>			
Athletics and Music		\$113,653	\$ 113,653
Capital Improvements		379,485	379,485
Debt Service		225,637	225,637
Food Service Operations		109,677	109,677
Regular Instruction	\$ 496	17,101	17,597
Student Tracking		2,753	2,753
Technology		573	573
Total Restricted	<u>496</u>	<u>848,879</u>	<u>849,375</u>
<b>Assigned for:</b>			
Educational Activities	16,187		16,187
Encumbrances	35,649		35,649
Instruction	206,742		206,742
Technology	1,640		1,640
Total Assigned	<u>260,218</u>		<u>260,218</u>
Unassigned (Deficit)	<u>2,848,778</u>	<u>(1,193)</u>	<u>2,847,585</u>
Total Fund Balance	<u>\$3,109,492</u>	<u>\$847,686</u>	<u>\$3,957,178</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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 yearend. This amount must be carried forward and used for the same purpose in future years. House Bill 30 repealed the textbook and instructional materials reserve in Ohio Revised Code section 3315.17, effective July 1, 2011.

The following cash basis information identifies the change in the fund balance reserves for capital improvements during fiscal year 2012.

	<b>Capital Improvements</b>
Balance June 30, 2011	
Current Year Set Aside Requirement	\$76,581
Current Year Offsets	(41,671)
Qualifying Expenditures	(34,910)
Balance June 30, 2012	\$ 0

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

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2010	\$4,399	
Current Year Set Aside Requirement	73,778	\$73,778
Current Year Offsets		(57,962)
Qualifying Expenditures	(77,681)	(15,816)
Balance June 30, 2011	\$ 496	\$ 0

**15. INTERFUND TRANSFERS**

During fiscal year 2012, the General Fund transferred \$106,516 to other governmental funds to fund debt service requirements. Other governmental funds transferred \$32,597 to other governmental funds to fund the Ohio School Facilities maintenance requirement.

During fiscal year 2011, the General Fund transferred \$74,767 to other governmental funds to fund debt service requirements. Other governmental funds transferred \$10,959 to other governmental funds to fund the Ohio School Facilities maintenance requirement.

**16. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000, represent the principal portion. The amount of net appreciation in donor restricted investments that was available for expenditures by the School District at June 30, 2012 was \$20,774 and at June 30, 2011 was \$21,219, and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Local Professional Development Committee**

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

**B. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. The School District paid for various services to WOCO totaling \$37,029 during fiscal year 2012 and \$37,757 during fiscal year 2011. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**C. Auglaize County Educational Academy**

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

**18. INSURANCE POOLS**

**A. Ohio School Plan**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**18. INSURANCE POOLS (Continued)**

**B. Mercer Auglaize School Employee Benefit Trust**

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Corporate One, 220 Perry Street, Suite 200, Fostoria, Ohio 44830.

**C. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**19. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, (the School District) as of and for the fiscal years ended June 30, 2012 and June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 1, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal 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.

### Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 1, 2013.

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

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



**Dave Yost**  
Auditor of State

March 1, 2013

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS JUNE 30, 2012 AND JUNE 30, 2011

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

FINDING NUMBER 2012-01

**Noncompliance Citation**

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

**Ohio Adm. Code Section 117-2-03 (B)** requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare the financial statements according to generally accepted accounting principles.

**OFFICIALS' RESPONSE:**

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012 AND JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Ohio Administrative Code Section 117-2-02 (A) & Ohio Administrative Code 117-2-02 (B) - not correctly recording financial activity regarding the Ohio School Facilities Commission construction project	Yes	
2010-002	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) – did not prepare financial statements in accordance with generally accepted accounting principles	No	Repeated as Finding 2012-01



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether New Knoxville Local School District (the School 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 Board amended its anti-harassment policy at its meeting on November 22, 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.

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

**Dave Yost**  
Auditor of State

March 1, 2013

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# Dave Yost • Auditor of State

NEW KNOXVILLE LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 11, 2013