



Dave Yost • Auditor of State

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the New Knoxville Local School District, Auglaize County, Ohio (the School District), as of and for the fiscal years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of New Knoxville Local School District, Auglaize County, Ohio, as of June 30, 2014 and June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of New Knoxville Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014, 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 position 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 position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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.

In the statement of net position 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, intergovernmental, 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 position for fiscal year 2014 and fiscal year 2013:

| Table 1 | | | |
|--------------------------------|-------------|-------------|-----------------|
| Net Position | | | |
| Governmental Activities | | | |
| | 2014 | 2013 | Variance |
| Assets | | | |
| Total Assets | \$3,942,120 | \$3,887,151 | \$54,969 |
| Net Position: | | | |
| Restricted | 923,725 | 779,670 | 144,055 |
| Unrestricted | 3,018,395 | 3,107,481 | (89,086) |
| Total Net Position | \$3,942,120 | \$3,887,151 | \$54,969 |

The overall change in net position from the prior fiscal year was not significant. Restricted net position increased from the collection of property taxes that were not spent for debt service in fiscal year 2014.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013:

**Table 2
Change in Net Position**

| | Governmental Activities | | Variance |
|---|--------------------------------|--------------------|------------------|
| | 2014 | 2013 | |
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services | \$479,342 | \$460,973 | \$18,369 |
| Operating Grants, Contributions, and Interest | 439,112 | 424,490 | 14,622 |
| Total Program Receipts | <u>918,454</u> | <u>885,463</u> | <u>32,991</u> |
| General Receipts: | | | |
| Property Taxes Levied for General Purposes | 1,022,296 | 1,027,871 | (5,575) |
| Property Taxes Levied for Debt Service | 410,545 | 282,167 | 128,378 |
| Property Taxes Levied for Permanent Improvements | 31,738 | 36,794 | (5,056) |
| Income Taxes | 784,509 | 702,803 | 81,706 |
| Grants and Entitlements | 1,986,151 | 1,972,511 | 13,640 |
| Interest | 9,198 | 6,580 | 2,618 |
| Miscellaneous | 35,888 | 33,184 | 2,704 |
| Total General Receipts | <u>4,280,325</u> | <u>4,061,910</u> | <u>218,415</u> |
| Total Receipts | <u>5,198,779</u> | <u>4,947,373</u> | <u>251,406</u> |
| Disbursements: | | | |
| Instruction: | | | |
| Regular | 2,592,509 | 2,388,766 | (203,743) |
| Special | 293,186 | 372,230 | 79,044 |
| Support Services: | | | |
| Pupils | 155,233 | 61,719 | (93,514) |
| Instructional Staff | 122,252 | 142,006 | 19,754 |
| Board of Education | 18,955 | 19,808 | 853 |
| Administration | 373,449 | 373,682 | 233 |
| Fiscal | 138,959 | 161,473 | 22,514 |
| Operation and Maintenance of Plant | 448,766 | 453,292 | 4,526 |
| Pupil Transportation | 85,590 | 102,099 | 16,509 |
| Central | 24,986 | 100,233 | 75,247 |
| Non-instructional Services | 149,164 | 158,348 | 9,184 |
| Extracurricular Activities | 298,625 | 247,300 | (51,325) |
| Capital Outlay | 14,430 | 1,223 | (13,207) |
| Intergovernmental | 5,960 | 59 | (5,901) |
| Debt Service: | | | |
| Principal Retirement | 192,707 | 289,253 | 96,546 |
| Interest and Fiscal Charges | 129,047 | 138,968 | 9,921 |
| Capital Appreciation Bond Accretion | 99,992 | | (99,992) |
| Total Disbursements | <u>5,143,810</u> | <u>5,010,459</u> | <u>(133,351)</u> |
| Increase (Decrease) in Net Position | 54,969 | (63,086) | 118,055 |
| Net Position at Beginning of Year | 3,887,151 | 3,950,237 | (63,086) |
| Net Position at End of Year | <u>\$3,942,120</u> | <u>\$3,887,151</u> | <u>\$54,969</u> |

Program receipts increased slightly in fiscal year 2014. Program receipts are primarily represented by restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

General receipts represented 82 percent of the School District's total receipts in fiscal year 2014, which is similar to the prior fiscal year. Property tax receipts increased from the County Auditor assessing property at a higher millage than the prior fiscal year to cover debt service requirements. Income tax receipts received from residents of the School District increased by almost 12 percent.

Total disbursements increased slightly; however, there were significant increases and decreases within the programs. Regular instruction disbursements increased from the purchase of reading books, an increase in health insurance premiums, the reclassification of instructional staff costs to regular instruction, and the reclassification of workers' compensation premiums. Support services costs in the pupils program increased from the change in coding certain special education services from special instruction to pupils which corresponds with the decrease in special instruction disbursements. Extracurricular activities costs increased from the reclassification of bus driver salaries pertaining to sport programs (with a corresponding decrease in pupil transportation costs), the purchase of soccer goals and baseball scoreboard, the purchase of cheerleader fundraiser items. Capital outlay disbursements increased from the replacement of light fixtures in the gymnasium.

Instructional staff support services program disbursements decreased from the reclassification of some costs to regular instruction. Fiscal support services decreased from the cost of the biannual audit that occurred in the prior fiscal year. Central costs decreased from the purchase of computers for the computer lab that occurred in the prior fiscal year. Non-instructional services disbursements decreased from the costs associated with the purchase of appliances for the lunchroom in the prior fiscal year.

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.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|-------------------------------------|-------------------------------|--------------------|-----------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Instruction: | | | | |
| Regular | \$2,592,509 | \$2,388,766 | \$2,243,035 | \$2,028,180 |
| Special | 293,186 | 372,230 | 39,737 | 138,308 |
| Vocational | | | (12,669) | (15,314) |
| Support Services: | | | | |
| Pupils | 155,233 | 61,719 | 155,233 | 61,719 |
| Instructional Staff | 122,252 | 142,006 | 122,252 | 142,006 |
| Board of Education | 18,955 | 19,808 | 18,955 | 19,808 |
| Administration | 373,449 | 373,682 | 373,449 | 373,682 |
| Fiscal | 138,959 | 161,473 | 138,959 | 161,473 |
| Operation and Maintenance of Plant | 448,766 | 453,292 | 437,808 | 442,332 |
| Pupil Transportation | 85,590 | 102,099 | 78,043 | 95,473 |
| Central | 24,986 | 100,233 | 21,386 | 96,633 |
| Non-instructional Services | 149,164 | 158,348 | (5,479) | 7,791 |
| Extracurricular Activities | 298,625 | 247,300 | 172,511 | 143,402 |
| Capital Outlay | 14,430 | 1,223 | 14,430 | 1,223 |
| Intergovernmental | 5,960 | 59 | 5,960 | 59 |
| Debt Service: | | | | |
| Principal Retirement | 192,707 | 289,253 | 192,707 | 289,253 |
| Interest and Fiscal Charges | 129,047 | 138,968 | 129,047 | 138,968 |
| Capital Appreciation Bond Accretion | 99,992 | | 99,992 | |
| Total Disbursements | \$5,143,810 | \$5,010,459 | \$4,225,356 | \$4,124,996 |

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The above table indicates that 18 percent of the cost of services in fiscal year 2014 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 was 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 86 percent in funding in fiscal year 2014 for special education which is significantly higher than the prior fiscal year due to use of carryover grants from fiscal year 2013. Non-instructional services (which consist of food service) were fully funded in fiscal year 2014 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 a 4 percent decrease in fund balance principally from the transfer of funds to fund debt service requirements.

GENERAL FUND BUDGETING HIGHLIGHTS

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

For receipts, there was no change from the original budget to the final budget and changes from the final budget to actual receipts were not significant.

For disbursements, the changes from the original budget to the final budget were not significant. Overall, actual disbursements were 5 percent less than the final budget. The School District budgets at a higher level than necessary to cover for any unexpected costs.

DEBT ADMINISTRATION

At June 30, 2014, the School District's outstanding debt included general obligation bonds and loans for construction of additions to school facilities, in the amount of \$2,724,757 and \$495,234, respectively. For further information regarding the School District's debt, refer to Note 13 to the basic financial statements.

CURRENT ISSUES

For fiscal year 2015, classified employees received pay increases of at least 2.5 percent and certified employees received a 6 percent pay increase in the base rate. The employee share of health care premiums increased from 8 percent to 15 percent, along with paying 8 percent of dental insurance premiums.

The High School principal retired and was rehired at a significantly reduced salary and benefit package. Other administrators received a pay increase between 6 to 7 percent but are also required to pay a portion of the health care and dental premiums, of 15 percent and 8 percent, respectively.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Although health care premiums are expected to increase by 7 percent beginning January 1, 2015, the School District will reduce overall health care costs by eliminating the Traditional PPO option for health care insurance and the increase of the premium paid by the employee. There will be a minimal increase in prescription and dental insurance premiums. Additional costs of about \$4,000 will occur due to the requirements of the Affordable Health Care Act.

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 Cathy Doseck, Treasurer, P.O. Box 476, 345 South Main Street, New Knoxville, Ohio 45871.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,942,120</u> |
| Net Position: | |
| Restricted for: | |
| Debt Service | 346,174 |
| Capital Projects | 250,812 |
| Other Purposes | 326,739 |
| Unrestricted | <u>3,018,395</u> |
| Total Net Position | <u><u>\$3,942,120</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, 2014**

| | <u>Program Cash Receipts</u> | | | <u>Net (Disbursement) Receipt and Change in Net Assets</u> |
|---|------------------------------|---------------------------------|--|--|
| | <u>Disbursements</u> | <u>Charges for Services</u> | <u>Operating Grants, Contributions, and Interest</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$2,592,509 | \$260,411 | \$89,063 | (\$2,243,035) |
| Special | 293,186 | | 253,449 | (39,737) |
| Vocational | | | 12,669 | 12,669 |
| Support Services: | | | | |
| Pupils | 155,233 | | | (155,233) |
| Instructional Staff | 122,252 | | | (122,252) |
| Board of Education | 18,955 | | | (18,955) |
| Administration | 373,449 | | | (373,449) |
| Fiscal | 138,959 | | | (138,959) |
| Operation and Maintenance of Plant | 448,766 | | 10,958 | (437,808) |
| Pupil Transportation | 85,590 | | 7,547 | (78,043) |
| Central | 24,986 | | 3,600 | (21,386) |
| Non-instructional Services | 149,164 | 120,032 | 34,611 | 5,479 |
| Extracurricular Activities | 298,625 | 98,899 | 27,215 | (172,511) |
| Capital Outlay | 14,430 | | | (14,430) |
| Intergovernmental | 5,960 | | | (5,960) |
| Debt Service: | | | | |
| Principal Retirement | 192,707 | | | (192,707) |
| Interest and Fiscal Charges | 129,047 | | | (129,047) |
| Capital Appreciation Bond Accretion | 99,992 | | | (99,992) |
| Total Governmental Activities | <u>\$5,143,810</u> | <u>\$479,342</u> | <u>\$439,112</u> | <u>(4,225,356)</u> |
| General Receipts: | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 1,022,296 |
| Debt Service | | | | 410,545 |
| Permanent Improvements | | | | 31,738 |
| Income Taxes | | | | 784,509 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 1,986,151 |
| Interest | | | | 9,198 |
| Miscellaneous | | | | 35,888 |
| Total General Receipts | | | | <u>4,280,325</u> |
| Change in Net Position | | | | 54,969 |
| Net Position at Beginning of Year | | | | <u>3,887,151</u> |
| Net Position at End of Year | | | | <u>\$3,942,120</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, 2014**

| | General | Other Governmental | Total |
|--|----------------|-------------------------------|--------------|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,733,612 | \$1,208,508 | \$3,942,120 |
| Fund Balances: | | | |
| Restricted | | \$923,725 | \$923,725 |
| Committed | | 30,871 | 30,871 |
| Assigned | 388,311 | 253,912 | 642,223 |
| Unassigned | 2,345,301 | | 2,345,301 |
| Total Fund Balances | \$2,733,612 | \$1,208,508 | \$3,942,120 |

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, 2014**

| | <u>General</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|--------------------|-------------------------------|--------------------|
| Receipts: | | | |
| Property Taxes | \$1,022,296 | \$442,283 | \$1,464,579 |
| Income Taxes | 784,509 | | 784,509 |
| Intergovernmental | 2,090,581 | 270,758 | 2,361,339 |
| Interest | 9,198 | 846 | 10,044 |
| Tuition and Fees | 260,411 | | 260,411 |
| Charges for Services | | 120,032 | 120,032 |
| Extracurricular Activities | | 98,899 | 98,899 |
| Gifts and Donations | 13,552 | 49,526 | 63,078 |
| Miscellaneous | 35,651 | 237 | 35,888 |
| Total Receipts | <u>4,216,198</u> | <u>982,581</u> | <u>5,198,779</u> |
| Disbursements: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 2,519,649 | 72,860 | 2,592,509 |
| Special | 193,876 | 99,310 | 293,186 |
| Support Services: | | | |
| Pupils | 155,233 | | 155,233 |
| Instructional Staff | 122,252 | | 122,252 |
| Board of Education | 18,955 | | 18,955 |
| Administration | 373,449 | | 373,449 |
| Fiscal | 130,574 | 8,385 | 138,959 |
| Operation and Maintenance of Plant | 397,451 | 51,315 | 448,766 |
| Pupil Transportation | 76,590 | 9,000 | 85,590 |
| Central | 18,723 | 6,263 | 24,986 |
| Non-instructional Services | | 149,164 | 149,164 |
| Extracurricular Activities | 161,376 | 137,249 | 298,625 |
| Capital Outlay | | 14,430 | 14,430 |
| Intergovernmental | | 5,960 | 5,960 |
| Debt Service: | | | |
| Principal Retirement | | 192,707 | 192,707 |
| Interest and Fiscal Charges | | 129,047 | 129,047 |
| Capital Appreciation Bond Accretion | | 99,992 | 99,992 |
| Total Disbursements | <u>4,168,128</u> | <u>975,682</u> | <u>5,143,810</u> |
| Excess of Receipts Over Disbursements | <u>48,070</u> | <u>6,899</u> | <u>54,969</u> |
| Other Financing Sources (Uses): | | | |
| Advances In | 31,420 | 31,466 | 62,886 |
| Advances Out | (31,466) | (31,420) | (62,886) |
| Transfers In | | 197,107 | 197,107 |
| Transfers Out | (153,551) | (43,556) | (197,107) |
| Total Other Financing Sources (Uses) | <u>(153,597)</u> | <u>153,597</u> | <u></u> |
| Changes in Fund Balances | (105,527) | 160,496 | 54,969 |
| Fund Balances at Beginning of Year | <u>2,839,139</u> | <u>1,048,012</u> | <u>3,887,151</u> |
| Fund Balances at End of Year | <u>\$2,733,612</u> | <u>\$1,208,508</u> | <u>\$3,942,120</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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|-------------------------|--------------------|--------------------|--|
| | Original | Final | | (Under) |
| Receipts: | | | | |
| Property Taxes | \$1,022,200 | \$1,022,200 | \$1,022,296 | \$96 |
| Income Taxes | 784,500 | 784,500 | 784,509 | 9 |
| Intergovernmental | 2,100,600 | 2,100,600 | 2,090,581 | (10,019) |
| Interest | 8,400 | 8,400 | 9,198 | 798 |
| Tuition and Fees | 260,315 | 260,315 | 260,411 | 96 |
| Gifts and Donations | 13,500 | 13,500 | 13,552 | 52 |
| Miscellaneous | 35,400 | 35,400 | 35,651 | 251 |
| Total Receipts | 4,224,915 | 4,224,915 | 4,216,198 | (8,717) |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,525,561 | 2,612,141 | 2,532,226 | 79,915 |
| Special | 239,500 | 230,860 | 193,876 | 36,984 |
| Support Services: | | | | |
| Pupils | 136,730 | 166,730 | 155,953 | 10,777 |
| Instructional Staff | 156,930 | 133,430 | 122,403 | 11,027 |
| Board of Education | 24,500 | 23,550 | 21,005 | 2,545 |
| Administration | 390,230 | 375,130 | 373,850 | 1,280 |
| Fiscal | 155,200 | 131,390 | 130,724 | 666 |
| Operation and Maintenance of Plant | 414,950 | 418,050 | 404,678 | 13,372 |
| Pupil Transportation | 94,250 | 98,990 | 82,488 | 16,502 |
| Central | 79,250 | 23,600 | 19,357 | 4,243 |
| Extracurricular Activities | 142,000 | 158,380 | 147,864 | 10,516 |
| Capital Outlay | 4,500 | 4,500 | | 4,500 |
| Uniform School Supplies: | | | | |
| Regular | 33,000 | 33,000 | 21,003 | 11,997 |
| Public School Support: | | | | |
| Regular | 10,000 | 10,000 | 10,000 | |
| Extracurricular Activities | 23,840 | 23,840 | 13,658 | 10,182 |
| Total Disbursements | 4,430,441 | 4,443,591 | 4,229,085 | 214,506 |
| Excess of Receipts Under Disbursements | (205,526) | (218,676) | (12,887) | 205,789 |
| Other Financing Sources (Uses): | | | | |
| Advances In | 32,000 | 32,000 | 31,420 | (580) |
| Advances Out | (32,000) | (32,000) | (31,466) | 534 |
| Transfers Out | (115,000) | (153,560) | (153,551) | 9 |
| Refund of Prior Year Receipts | (200) | (200) | | 200 |
| Total Other Financing Sources (Uses) | (115,200) | (153,760) | (153,597) | 163 |
| Changes in Fund Balance | (320,726) | (372,436) | (166,484) | 205,952 |
| Fund Balance at Beginning of Year | 2,740,213 | 2,740,213 | 2,740,213 | |
| Prior Year Encumbrances Appropriated | 98,926 | 98,926 | 98,926 | |
| Fund Balance at End of Year | \$2,518,413 | \$2,466,703 | \$2,672,655 | \$205,952 |

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

| | Private Purpose Trust | Agency |
|--|--------------------------------------|-----------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$29,802</u> | <u>\$27,979</u> |
| Net Position: | | |
| Endowments | 10,000 | |
| Held in Trust for Scholarships | 19,802 | |
| Held for Student Activities | | <u>27,979</u> |
| Total Net Position | <u>\$29,802</u> | <u>\$27,979</u> |

See accompanying notes to the basic financial statements.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | | |
|-----------------------------------|--|------------------------|
| Additions: | | |
| Interest | | \$119 |
| Deductions: | | |
| Non-instructional Services | | <u>750</u> |
| Change in Net Position | | (631) |
| Net Position at Beginning of Year | | <u>30,433</u> |
| Net Position at End of Year | | <u><u>\$29,802</u></u> |

See accompanying notes to the basic financial statements.

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately twenty-seven square miles. It is located in Auglaize and Shelby Counties. The School District is the 603rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixteen classified employees, thirty-three certified teaching personnel, and three administrative employees who provide services to 425 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 New Knoxville Local 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. 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 Area Schools Employee Welfare Benefit Trust, and the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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. Following are the more significant of the School District's accounting policies.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the 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. Nonmajor 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.

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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a result of the use of 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 in 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 has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

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

During fiscal year 2014, investments consisted of nonnegotiable certificates of deposit which are reported at cost.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$9,198, which includes \$3,100 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
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes 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 position is 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 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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$60,957.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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;
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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,690,589 of the School District's bank balance of \$4,175,706 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 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 2014 taxes were collected are:

| | 2013 Second- Half Collections | | 2014 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$49,159,080 | 98.25% | \$49,344,940 | 98.16% |
| Public Utility | 877,000 | 1.75 | 923,830 | 1.84 |
| Total Assessed Value | <u>\$50,036,080</u> | <u>100.00%</u> | <u>\$50,268,770</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$54.55 | | \$59.45 | |

The tax rate increased 4.9 mills to accommodate debt service requirements.

6. INCOME TAXES

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. INTERFUND BALANCES

At June 30, 2014, the General Fund had an unpaid interfund cash advance, in the amount of \$46, from other governmental funds to provide cash flow resources until the receipt of federal grants for the Race to the Top program.

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 year 2014, the School District contracted with the Ohio School Plan for the following insurance coverage.

| | |
|-----------------------------|--------------|
| Building and Contents | \$18,487,798 |
| Earthquake | 5,000,000 |
| General Liability Aggregate | 4,000,000 |
| Automobile | 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 year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

9. OTHER SIGNIFICANT COMMITMENTS

At fiscal year-end, significant encumbrances expected to be honored upon performance by the vendor at June 30, 2014, was \$35,466 for other governmental funds.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. 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.

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

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

Funding Policy - 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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 \$243,118 and \$55 for the fiscal year ended June 30, 2014, \$216,192 and \$322 for the fiscal year ended June 30, 2013, and \$203,211 and \$98 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$115 made by the School District and \$90 made by the plan members. In addition, member contributions of \$43 were made for fiscal year 2014 for the defined contribution portion of the CP.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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 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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 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, 2014, 2013, and 2012 was \$52,111, \$44,384, and \$51,398, respectively. For fiscal year 2014, 63 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT 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.

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 year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$18,714, \$16,657, and \$15,653, respectively. For fiscal year 2014, 83 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

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 under employers/audit resources.

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 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$7,808 in surcharge.

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, 2014, 2013, and 2012 was \$557, \$542, and \$2,226, respectively. For fiscal year 2014, 63 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$3,023, \$2,507, and \$3,035, respectively. For fiscal year 2014, 63 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. 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 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, drug, and dental insurance to most employees through the Mercer-Auglaize Area Schools Employee Welfare Benefits Trust. In addition, the School District offers life insurance through American United Life Insurance Company.

13. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

| | Balance at 6/30/13 | Additions | Reductions | Balance at 6/30/14 | Amounts Due Within One Year |
|---|-------------------------------|------------------|-------------------|-------------------------------|--|
| General Obligations Bonds | | | | | |
| 1998 High School Building Capital Appreciation Bonds | \$39,768 | | \$15,008 | \$24,760 | \$13,182 |
| 2007 OSFC Building | | | | | |
| Serial Bonds 4% | 515,000 | | 75,000 | 440,000 | 85,000 |
| Term Bonds 4 - 4.125% | 1,085,000 | | | 1,085,000 | |
| Capital Appreciation Bonds | 54,999 | | | 54,999 | |
| Total 2007 OSFC Building | 1,654,999 | | 75,000 | 1,579,999 | 85,000 |
| 2007 High School Refunding | | | | | |
| Serial Bonds 4% | 460,000 | | 15,000 | 445,000 | 15,000 |
| Term Bonds 4 - 4.125% | 595,000 | | | 595,000 | |
| Capital Appreciation Bonds | 79,998 | | | 79,998 | |
| Total 2007 High School Refunding | 1,134,998 | | 15,000 | 1,119,998 | 15,000 |
| Loan Payable 4.47% | 582,933 | | 87,699 | 495,234 | 91,286 |
| Total General Long-Term Obligations | <u>\$3,412,698</u> | <u>\$0</u> | <u>\$192,707</u> | <u>\$3,219,991</u> | <u>\$204,468</u> |

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$230,000.

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:

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

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

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

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

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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.

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.

The School District's overall debt margin was \$1,567,277 with an un-voted debt margin of \$49,345 at June 30, 2014.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2014, were as follows:

| Fiscal Year Ending | General Obligation Bonds | | | |
|-------------------------------|---------------------------------|------------------|--------------------|------------------|
| | Serial | | Term | |
| | Principal | Interest | Principal | Interest |
| 2015 | \$100,000 | \$33,400 | | \$68,013 |
| 2016 | 100,000 | 29,400 | | 68,012 |
| 2017 | | 27,400 | | 68,013 |
| 2018 | | 27,400 | | 68,012 |
| 2019 | 215,000 | 23,100 | | 68,013 |
| 2019-2023 | 470,000 | 19,000 | \$780,000 | 294,062 |
| 2024-2027 | | | 760,000 | 98,225 |
| 2028-2030 | | | 140,000 | 5,775 |
| Totals | \$885,000 | \$159,700 | \$1,680,000 | \$738,125 |

| Fiscal Year Ending | General Obligation Bonds Capital Appreciation | | Loans Payable | |
|-------------------------------|--|------------------|----------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| | 2015 | \$13,182 | \$101,818 | \$91,286 |
| 2016 | 11,578 | 103,422 | 95,019 | 16,525 |
| 2017 | 71,341 | 143,659 | 98,906 | 12,639 |
| 2018 | 63,656 | 151,344 | 102,951 | 8,593 |
| 2019 | | 0 | 107,072 | 4,383 |
| Totals | \$159,757 | \$500,243 | \$495,234 | \$62,399 |

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.

14. 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:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. FUND BALANCE (Continued)

| <u>Fund Balance</u> | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|--------------------|---|---|
| Restricted for: | | | |
| Athletics and Music | | \$116,059 | \$116,049 |
| Capital Improvements | | 323,705 | 323,705 |
| Debt Retirement | | 346,174 | 346,174 |
| Food Service Operations | | 121,928 | 121,928 |
| Regular Instruction | | 6,512 | 6,512 |
| Special Instruction | | 5,747 | 5,747 |
| Technology | | 3,600 | 3,600 |
| Total Restricted | | <u>923,725</u> | <u>923,725</u> |
| Committed for: | | | |
| Instruction | | 30,871 | 30,871 |
| Assigned for: | | | |
| Capital Improvements | | 253,912 | 253,912 |
| Educational Activities | \$25,650 | | 25,650 |
| Projected Budget Shortage | 300,269 | | 300,269 |
| Technology | 1,613 | | 1,613 |
| Unpaid Obligations | 60,779 | | 60,779 |
| Total Assigned | <u>388,311</u> | <u>253,912</u> | <u>642,223</u> |
| Unassigned | 2,345,301 | | 2,345,301 |
| Total Fund Balance | <u>\$2,733,612</u> | <u>\$1,208,508</u> | <u>\$3,942,120</u> |

15. 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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2014.

| | <u>Capital Improvements</u> |
|------------------------------------|---------------------------------|
| Balance June 30, 2013 | |
| Current Year Set Aside Requirement | \$72,613 |
| Current Year Offsets | <u>(72,613)</u> |
| Balance June 30, 2014 | <u>\$0</u> |

16. INTERFUND TRANSFERS

During fiscal year 2014, the General Fund transferred \$153,551 to other governmental funds to fund debt service requirements.

Other governmental funds transferred \$43,556 to other governmental funds to fund the OSFC maintenance requirement.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. 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 is available for expenditures by the School District is \$19,802 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.

18. 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, Miami, 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. During fiscal year 2014, the School District paid \$43,230 to WOCO for various services. 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 Academy, 1130 East Albert Street, Lima, Ohio 45804.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

19. 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.

B. Mercer-Auglaize Area Schools Employee Welfare Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven school districts and two educational service centers. The Mercer-Auglaize Area Schools Employee Welfare Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, drug, and dental 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 the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

C. Better Business Bureau of Central Ohio 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 Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan) was established through the Better Business Bureau of Ohio as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

20. CONTINGENCIES (Continued)

B. Litigation

There are currently no matters in litigation with the School District as defendant. This page is intentionally left blank.

21. COMPLIANCE

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

The discussion and analysis of New Knoxville Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2013, 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 position 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 position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

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.

In the statement of net position 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, intergovernmental, 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 position for fiscal year 2013 and fiscal year 2012:

| Table 1 | | | |
|--------------------------------|-------------|-------------|-----------------|
| Net Position | | | |
| Governmental Activities | | | |
| | 2013 | 2012 | Variance |
| Assets: | | | |
| Total Assets | \$3,887,151 | \$3,950,237 | (\$63,086) |
| Net Position: | | | |
| Restricted | 779,670 | 785,596 | (5,926) |
| Unrestricted | 3,107,481 | 3,164,641 | (57,160) |
| Total Net Position | \$3,887,151 | \$3,950,237 | (\$63,086) |

The change in net position from the prior fiscal year was not significant.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012:

**Table 2
Change in Net Position**

| | Governmental Activities | | Variance |
|--|--------------------------------|--------------------|-------------------|
| | 2013 | 2012 | |
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services | \$460,973 | \$398,708 | \$62,265 |
| Operating Grants, Contributions, and Interest | 424,490 | 503,206 | (78,716) |
| Total Program Receipts | <u>885,463</u> | <u>901,914</u> | <u>(16,451)</u> |
| General Receipts: | | | |
| Property Taxes Levied for General Purposes | 1,027,871 | 1,000,197 | 27,674 |
| Property Taxes Levied for Debt Service | 282,167 | 261,365 | 20,802 |
| Property Taxes Levied for Permanent Improvements | 36,794 | 33,596 | 3,198 |
| Income Taxes | 702,803 | 666,697 | 36,106 |
| Grants and Entitlements | 1,972,511 | 2,015,701 | (43,190) |
| Interest | 6,580 | 12,678 | (6,098) |
| Gifts and Donations | | 61,600 | (61,600) |
| Miscellaneous | 33,184 | 37,291 | (4,107) |
| Total General Receipts | <u>4,061,910</u> | <u>4,089,125</u> | <u>(27,215)</u> |
| Total Receipts | <u>4,947,373</u> | <u>4,991,039</u> | <u>(43,666)</u> |
| Disbursements: | | | |
| Instruction: | | | |
| Regular | 2,388,766 | 2,345,795 | (42,971) |
| Special | 372,230 | 388,711 | 16,481 |
| Support Services: | | | |
| Pupils | 61,719 | 37,291 | (24,428) |
| Instructional Staff | 142,006 | 130,337 | (11,669) |
| Board of Education | 19,808 | 18,845 | (963) |
| Administration | 373,682 | 386,625 | 12,943 |
| Fiscal | 161,473 | 148,638 | (12,835) |
| Operation and Maintenance of Plant | 453,292 | 471,474 | 18,182 |
| Pupil Transportation | 102,099 | 132,111 | 30,012 |
| Central | 100,233 | 74,973 | (25,260) |
| Non-instructional Services | 158,348 | 142,694 | (15,654) |
| Extracurricular Activities | 247,300 | 283,909 | 36,609 |
| Capital Outlay | 1,223 | 9,259 | 8,036 |
| Intergovernmental | 59 | | (59) |
| Debt Service: | | | |
| Principal Retirement | 289,253 | 275,943 | (13,310) |
| Interest and Fiscal Charges | 138,968 | 151,375 | 12,407 |
| Total Disbursements | <u>5,010,459</u> | <u>4,997,980</u> | <u>(12,479)</u> |
| Decrease in Net Position | (63,086) | (6,941) | (56,145) |
| Net Position at Beginning of Year | 3,950,237 | 3,957,178 | (6,941) |
| Net Position at End of Year | <u>\$3,887,151</u> | <u>\$3,950,237</u> | <u>(\$63,086)</u> |

Program receipts decreased slightly in fiscal year 2013. Program receipts are primarily represented by restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Charges for services increased from an increase in open enrollment students. Operating grants, contributions, and interest decreased from the elimination of the Education Jobs grant and a reduction in the IDEA B grant.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

General receipts represented 82 percent of the School District's total receipts in fiscal year 2013, which is similar to the prior fiscal year. The School District had a slight decrease in grants and entitlements receipts from an overall decrease in students. The School District received donations from a probated will in the prior fiscal year.

Total disbursements increased slightly; however, there were significant increases and decreases within the programs. Support service costs in the pupils and central programs increased from the purchase of computers for the computer lab. Instruction staff costs increased from employing additional staff to support student needs. Fiscal support services increased from the cost of the biannual audit. Non-instructional services disbursements increased from the costs associated with food purchases and the purchase of appliances. Pupil transportation costs decreased from the purchase of a used school bus in the prior fiscal year. Extracurricular activities costs decreased from costs incurred in the prior fiscal year for the purchase of equipment with donated receipts.

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.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|------------------------------------|-------------------------------|---------------------------|-----------------------------|---------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Instruction: | | | | |
| Regular | \$2,388,766 | \$2,345,795 | \$2,028,180 | \$2,009,898 |
| Special | 372,230 | 388,711 | 138,308 | 142,466 |
| Vocational | | | (15,314) | (15,314) |
| Support Services: | | | | |
| Pupils | 61,719 | 37,291 | 61,719 | 37,291 |
| Instructional Staff | 142,006 | 130,337 | 142,006 | 130,337 |
| Board of Education | 19,808 | 18,845 | 19,808 | 18,845 |
| Administration | 373,682 | 386,625 | 373,682 | 386,625 |
| Fiscal | 161,473 | 148,638 | 161,473 | 148,638 |
| Operation and Maintenance of Plant | 453,292 | 471,474 | 442,332 | 460,515 |
| Pupil Transportation | 102,099 | 132,111 | 95,473 | 126,803 |
| Central | 100,233 | 74,973 | 96,633 | 71,373 |
| Non-instructional Services | 158,348 | 142,694 | 7,791 | (23,556) |
| Extracurricular Activities | 247,300 | 283,909 | 143,402 | 165,568 |
| Capital Outlay | 1,223 | 9,259 | 1,223 | 9,259 |
| Intergovernmental | 59 | | 59 | |
| Debt Service: | | | | |
| Principal Retirement | 289,253 | 275,943 | 289,253 | 275,943 |
| Interest and Fiscal Charges | 138,968 | 151,375 | 138,968 | 151,375 |
| Total Disbursements | <u>\$5,010,459</u> | <u>\$4,997,980</u> | <u>\$4,124,996</u> | <u>\$4,096,066</u> |

The above table indicates that 18 percent of the cost of services in fiscal year 2013 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 was financed through property taxes, income taxes, and unrestricted grants and entitlements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

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 2013 for special education which was comparable to the prior fiscal year. Non-instructional services (which consist of food service) were significantly funded in fiscal year 2013 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 a 10 percent decrease in fund balance from the transfer of funds, due in large part, to create a capital projects fund for capital improvements.

GENERAL FUND BUDGETING HIGHLIGHTS

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

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

Actual disbursements were 5 percent less than the final budget. Disbursements with the largest change were in the regular and special instruction programs and the pupils, instructional staff, board of education, and operation and maintenance of plant support services costs. Salary costs were significantly less than expected in special instruction and pupils, instructional staff, and board of education support services. Purchased services disbursements were less for special instruction services provided through the Educational Service Center and the lower costs associated with natural gas heating the instructional building. Costs associated with materials and supplies were lower than expected for high school students, library periodicals, and maintenance.

DEBT ADMINISTRATION

At June 30, 2013, the School District's outstanding debt included general obligation bonds and loans for construction of additions to school facilities, in the amount of \$2,829,765 and \$582,933, respectively. For further information regarding the School District's debt, refer to Note 13 to the basic financial statements.

CURRENT ISSUES

For fiscal year 2014, classified employees received pay increases and certified employees received step increases per the negotiated agreement. Administrators did not receive any pay increase. The School District has been notified that medical premiums will increase less than 10 percent in January 2014; however, prescription and dental premiums are not anticipated to increase. Additional costs are expected due to the Affordable Health Care Act by almost \$8,000.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

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 Cathy Doseck, Treasurer, P.O. Box 476, 345 South Main Street, New Knoxville, Ohio 45871.

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,887,151</u> |
| Net Position: | |
| Restricted for: | |
| Debt Service | 200,025 |
| Capital Projects | 226,122 |
| Other Purposes | 353,523 |
| Unrestricted | <u>3,107,481</u> |
| Total Net Position | <u><u>\$3,887,151</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, 2013**

| | Program Cash Receipts | | | Net (Disbursement) Receipt and Change in Net Assets |
|---|------------------------------|---------------------------------|--|--|
| | Disbursements | Charges for Services | Operating Grants, Contributions, and Interest | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$2,388,766 | \$239,915 | \$120,671 | (\$2,028,180) |
| Special | 372,230 | | 233,922 | (138,308) |
| Vocational | | | 15,314 | 15,314 |
| Support Services: | | | | |
| Pupils | 61,719 | | | (61,719) |
| Instructional Staff | 142,006 | | | (142,006) |
| Board of Education | 19,808 | | | (19,808) |
| Administration | 373,682 | | | (373,682) |
| Fiscal | 161,473 | | | (161,473) |
| Operation and Maintenance of Plant | 453,292 | | 10,960 | (442,332) |
| Pupil Transportation | 102,099 | | 6,626 | (95,473) |
| Central | 100,233 | | 3,600 | (96,633) |
| Non-instructional Services | 158,348 | 122,278 | 28,279 | (7,791) |
| Extracurricular Activities | 247,300 | 98,780 | 5,118 | (143,402) |
| Capital Outlay | 1,223 | | | (1,223) |
| Intergovernmental | 59 | | | (59) |
| Debt Service: | | | | |
| Principal Retirement | 289,253 | | | (289,253) |
| Interest and Fiscal Charges | 138,968 | | | (138,968) |
| Total Governmental Activities | \$5,010,459 | \$460,973 | \$424,490 | (4,124,996) |
| General Receipts | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 1,027,871 |
| Debt Service | | | | 282,167 |
| Permanent Improvements | | | | 36,794 |
| Income Taxes | | | | 702,803 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 1,972,511 |
| Interest | | | | 6,580 |
| Miscellaneous | | | | 33,184 |
| Total General Receipts | | | | 4,061,910 |
| Change in Net Position | | | | (63,086) |
| Net Position at Beginning of Year | | | | 3,950,237 |
| Net Position at End of Year | | | | \$3,887,151 |

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, 2013**

| | General | Other Governmental | Total |
|--|----------------|-------------------------------|--------------|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,839,139 | \$1,048,012 | \$3,887,151 |
| Fund Balances: | | | |
| Restricted | | \$779,670 | \$779,670 |
| Assigned | 469,282 | 268,342 | 737,624 |
| Unassigned | 2,369,857 | | 2,369,857 |
| Total Fund Balances | \$2,839,139 | \$1,048,012 | \$3,887,151 |

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, 2013**

| | <u>General</u> | <u>Other Governmental</u> | <u>Total</u> |
|---|--------------------|-------------------------------|--------------------|
| Receipts: | | | |
| Property Taxes | \$1,027,871 | \$318,961 | \$1,346,832 |
| Income Taxes | 702,803 | | 702,803 |
| Intergovernmental | 2,094,089 | 296,465 | 2,390,554 |
| Interest | 6,580 | 285 | 6,865 |
| Tuition and Fees | 239,915 | | 239,915 |
| Charges for Services | | 122,278 | 122,278 |
| Extracurricular Activities | 4,250 | 94,530 | 98,780 |
| Gifts and Donations | 1,610 | 4,552 | 6,162 |
| Miscellaneous | 33,184 | | 33,184 |
| Total Receipts | <u>4,110,302</u> | <u>837,071</u> | <u>4,947,373</u> |
| Disbursements: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 2,292,469 | 96,297 | 2,388,766 |
| Special | 290,661 | 81,569 | 372,230 |
| Support Services: | | | |
| Pupils | 61,719 | | 61,719 |
| Instructional Staff | 139,624 | 2,382 | 142,006 |
| Board of Education | 19,808 | | 19,808 |
| Administration | 373,682 | | 373,682 |
| Fiscal | 155,260 | 6,213 | 161,473 |
| Operation and Maintenance of Plant | 382,607 | 70,685 | 453,292 |
| Pupil Transportation | 92,570 | 9,529 | 102,099 |
| Central | 79,229 | 21,004 | 100,233 |
| Non-instructional Services | | 158,348 | 158,348 |
| Extracurricular Activities | 163,623 | 83,677 | 247,300 |
| Capital Outlay | 1,223 | | 1,223 |
| Intergovernmental | 59 | | 59 |
| Debt Service: | | | |
| Principal Retirement | | 289,253 | 289,253 |
| Interest and Fiscal Charges | | 138,968 | 138,968 |
| Total Disbursements | <u>4,052,534</u> | <u>957,925</u> | <u>5,010,459</u> |
| Excess of Receipts Over (Under) Disbursements | <u>57,768</u> | <u>(120,854)</u> | <u>(63,086)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | | 383,270 | 383,270 |
| Transfers Out | (383,270) | | (383,270) |
| Total Other Financing Sources (Uses) | <u>(383,270)</u> | <u>383,270</u> | |
| Changes in Fund Balances | (325,502) | 262,416 | (63,086) |
| Fund Balances at Beginning of Year | <u>3,164,641</u> | <u>785,596</u> | <u>3,950,237</u> |
| Fund Balances at End of Year | <u>\$2,839,139</u> | <u>\$1,048,012</u> | <u>\$3,887,151</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, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| Property Taxes | \$1,027,826 | \$1,027,826 | \$1,027,871 | \$45 |
| Income Taxes | 702,755 | 702,755 | 702,803 | 48 |
| Intergovernmental | 1,949,326 | 2,097,575 | 2,094,089 | (3,486) |
| Interest | 6,000 | 6,000 | 6,580 | 580 |
| Tuition and Fees | 239,800 | 239,800 | 239,915 | 115 |
| Extracurricular Activities | 4,250 | 4,250 | 4,250 | |
| Gifts and Donations | 5,670 | 5,670 | 1,610 | (4,060) |
| Miscellaneous | 30,270 | 38,270 | 33,184 | (5,086) |
| Total Receipts | <u>3,965,897</u> | <u>4,122,146</u> | <u>4,110,302</u> | <u>(11,844)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,530,032 | 2,502,031 | 2,388,306 | 113,725 |
| Special | 304,544 | 304,544 | 290,661 | 13,883 |
| Support Services: | | | | |
| Pupils | 71,730 | 71,730 | 61,719 | 10,011 |
| Instructional Staff | 156,930 | 156,930 | 139,775 | 17,155 |
| Board of Education | 24,500 | 24,500 | 19,808 | 4,692 |
| Administration | 390,236 | 390,236 | 373,847 | 16,389 |
| Fiscal | 155,202 | 155,203 | 155,260 | (57) |
| Operation and Maintenance of Plant | 414,950 | 414,950 | 384,232 | 30,718 |
| Pupil Transportation | 94,233 | 94,233 | 92,789 | 1,444 |
| Central | 79,250 | 79,250 | 79,229 | 21 |
| Extracurricular Activities | 139,840 | 169,341 | 164,552 | 4,789 |
| Capital Outlay | 4,500 | 4,500 | 1,223 | 3,277 |
| Intergovernmental | 101 | 101 | 59 | 42 |
| Total Disbursements | <u>4,366,048</u> | <u>4,367,549</u> | <u>4,151,460</u> | <u>216,089</u> |
| Excess of Receipts Under Disbursements | (400,151) | (245,403) | (41,158) | 204,245 |
| Other Financing Uses: | | | | |
| Transfers Out | (383,342) | (383,342) | (383,270) | 72 |
| Changes in Fund Balance | (783,493) | (628,745) | (424,428) | 204,317 |
| Fund Balance at Beginning of Year | 3,099,892 | 3,099,892 | 3,099,892 | |
| Prior Year Encumbrances Appropriated | 64,749 | 64,749 | 64,749 | |
| Fund Balance at End of Year | <u>\$2,381,148</u> | <u>\$2,535,896</u> | <u>\$2,740,213</u> | <u>\$204,317</u> |

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

| | Private Purpose Trust | Agency |
|--|--------------------------------------|-------------------|
| | <u> </u> | <u> </u> |
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$30,433</u> | <u>\$32,524</u> |
| Net Position: | | |
| Endowments | \$10,000 | |
| Held in Trust for Scholarships | 20,433 | |
| Held for Student Activities | | <u>32,524</u> |
| Total Net Position | <u>\$30,433</u> | <u>\$32,524</u> |

See accompanying notes to the basic financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | |
|-----------------------------------|------------------------|
| Additions: | |
| Interest | \$159 |
| Deductions: | |
| Non-instructional Services | <u>500</u> |
| Change in Net Position | (341) |
| Net Position at Beginning of Year | <u>30,774</u> |
| Net Position at End of Year | <u><u>\$30,433</u></u> |

See accompanying notes to the basic financial statements.

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**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

New Knoxville Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state 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. It is staffed by fifteen classified employees, thirty-three certified teaching personnel, and three administrative employees who provide services to 421 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 New Knoxville Local 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 Area Schools Employee Welfare Benefit Trust, and the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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. Following are the more significant of the School District's accounting policies.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the 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.

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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a result of the use of 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 in 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 at the function level for all funds.

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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

During fiscal year 2013, investments consisted of nonnegotiable certificates of deposit which are reported at cost.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$6,580, which includes \$2,067 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.

I. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes 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 position is available.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are 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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$98,926.

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

For the fiscal year ended June 30, 2013, the following function in the General Fund had expenditures plus encumbrances in excess of appropriations at the legal level of budgetary control as follows:

| | Appropriations | Expenditures and Encumbrances | Excess |
|------------------------|-----------------------|--|---------------|
| General Fund Fiscal | \$155,203 | \$155,260 | \$57 |

The Treasurer will monitor budgetary activity to ensure that expenditures do not exceed amounts appropriated.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

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

6. 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;

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

6. 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,563,058 of the School District's bank balance of \$4,075,078 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

7. 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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

7. PROPERTY TAXES (Continued)

Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

| | 2012 Second- Half Collections | | 2013 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$48,816,270 | 98.38% | \$49,159,080 | 98.25% |
| Public Utility | 805,360 | 1.62% | 877,000 | 1.75% |
| Total Assessed Value | <u>\$49,621,630</u> | <u>100.00%</u> | <u>\$50,036,080</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$54.55 | | \$54.55 | |

8. 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.

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with the Ohio School Plan for the following insurance coverage.

| | |
|-----------------------------|--------------|
| Building and Contents | \$17,949,317 |
| Earthquake | 5,000,000 |
| General Liability Aggregate | 4,000,000 |
| Automobile | 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

9. RISK MANAGEMENT (Continued)

For fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

10. 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.

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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

10. 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 year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$216,192 and \$322 for the fiscal year ended June 30, 2013, \$203,211 and \$98 for the fiscal year ended June 30, 2012, and \$190,483 and \$8,128 for the fiscal year ended June 30, 2011. For fiscal year 2013, 80 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$22 made by the School District and \$16 made by the plan members. In addition, member contributions of \$230 were made for fiscal year 2013 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 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, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 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, 2013, 2012, and 2011 was \$44,384, \$51,398, and \$44,895, respectively. For fiscal year 2013, 47 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT 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.

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 year 2013, 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, 2013, 2012, and 2011 was \$16,657, \$15,653, and \$15,877, respectively. For fiscal year 2013, 80 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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 under employers/audit resources.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

11. POST-EMPLOYMENT BENEFITS (Continued)

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 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2012, the School District paid \$6,150 in surcharge.

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, 2013, 2012, and 2011 was \$542, \$2,226, and \$5,436, respectively. For fiscal year 2013, 47 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$2,507, \$3,035, and \$2,889, respectively. For fiscal year 2013, 47 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

12. 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 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, drug, and dental insurance to most employees through the Mercer-Auglaize Area Schools Employee Welfare Benefits Trust. In addition, the School District offers life insurance through American United Life Insurance Company.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

13. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

| | Balance at 6/30/12 | Additions | Reductions | Balance at 6/30/13 | Amounts Due Within One Year |
|--|-------------------------------|-------------------|-------------------------|-------------------------------|--|
| General Obligations Bonds | | | | | |
| 1998 High School Building | | | | | |
| Serial Bonds 4.00 - 5.00% | \$115,000 | | \$115,000 | | |
| Capital Appreciation Bonds | 39,768 | | | \$39,768 | \$15,008 |
| Total 1998 High School Bldg. | <u>154,768</u> | | <u>115,000</u> | <u>39,768</u> | <u>15,008</u> |
| 2007 OSFC Building | | | | | |
| Serial Bonds 4% | 590,000 | | 75,000 | 515,000 | 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>1,729,999</u> | | <u>75,000</u> | <u>1,654,999</u> | <u>75,000</u> |
| 2007 High School Refunding | | | | | |
| Serial Bonds 4% | 475,000 | | 15,000 | 460,000 | 15,000 |
| Term Bonds 4 - 4.125% | 595,000 | | | 595,000 | |
| Capital Appreciation Bonds | 79,998 | | | 79,998 | |
| Total 2007 High School Refunding | <u>1,149,998</u> | | <u>15,000</u> | <u>1,134,998</u> | <u>15,000</u> |
| Loan Payable 4.47% | <u>667,186</u> | | <u>84,253</u> | <u>582,933</u> | <u>87,699</u> |
| Total General Long-Term Obligations | <u>\$3,701,951</u> | <u>\$0</u> | <u>\$289,253</u> | <u>\$3,412,698</u> | <u>\$192,707</u> |

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

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

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

13. LONG-TERM OBLIGATIONS (Continued)

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:

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

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

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

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

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

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

13. LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$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:

| Year | Amount |
|------|-----------|
| 2021 | \$145,000 |

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

| Year | Amount |
|------|-----------|
| 2023 | \$155,000 |

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

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

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

The School District's overall debt margin was \$1,211,644 with an un-voted debt margin of \$49,159 at June 30, 2013.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2013, were as follows:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

13. LONG-TERM OBLIGATIONS (Continued)

| Fiscal Year Ending | General Obligation Bonds | | | |
|-----------------------|--------------------------|------------------|--------------------|------------------|
| | Serial | | Term | |
| | Principal | Interest | Principal | Interest |
| 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 | | 27,400 | | 68,012 |
| 2019-2023 | 685,000 | 42,100 | \$510,000 | 319,863 |
| 2024-2027 | | | 895,000 | 131,878 |
| 2028-2030 | | | 275,000 | 11,447 |
| Totals | <u>\$975,000</u> | <u>\$196,900</u> | <u>\$1,680,000</u> | <u>\$803,250</u> |

| Fiscal Year Ending | General Obligation Bonds | | | |
|-----------------------|--------------------------|------------------|------------------|-----------------|
| | Capital Appreciation | | Loans Payable | |
| | Principal | Interest | Principal | Interest |
| 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 | 102,951 | 8,593 |
| 2019 | | | 107,072 | 4,383 |
| Totals | <u>\$174,765</u> | <u>\$600,235</u> | <u>\$582,933</u> | <u>\$86,245</u> |

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

14. 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:

| Fund Balance | General | Other Governmental Funds | Total Governmental Funds |
|-------------------------|---------|--------------------------------|--------------------------------|
| Restricted for: | | | |
| Athletics and Music | | \$135,517 | \$135,517 |
| Capital Improvements | | 283,738 | 283,738 |
| Debt Retirement | | 200,025 | 200,025 |
| Food Service Operations | | 119,254 | 119,254 |
| Regular Instruction | | 36,963 | 36,963 |
| Technology | | 4,173 | 4,173 |
| Total Restricted | | <u>779,670</u> | <u>779,670</u> |

(Continued)

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

14. FUND BALANCE (Continued)

| <u>Fund Balance</u> | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|--------------------|---|---|
| Assigned for: | | | |
| Capital Improvements | | 268,342 | 268,342 |
| Projected Budget Shortage | \$349,099 | | 349,099 |
| Educational Activities | 13,743 | | 13,743 |
| Technology | 8,443 | | 8,443 |
| Unpaid Obligations | 97,997 | | 97,997 |
| Total Assigned | <u>469,282</u> | <u>268,342</u> | <u>737,624</u> |
| Unassigned | <u>2,369,857</u> | | <u>2,369,857</u> |
| Total Fund Balance | <u>\$2,839,139</u> | <u>\$1,048,012</u> | <u>\$3,887,151</u> |

15. 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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2013.

| | <u>Capital Improvements</u> |
|------------------------------------|---------------------------------|
| Balance June 30, 2012 | |
| Current Year Set Aside Requirement | \$72,105 |
| Current Year Offsets | <u>(72,105)</u> |
| Balance June 30, 2013 | <u>\$0</u> |

16. INTERFUND TRANSFERS

During fiscal year 2013, the General Fund transferred \$383,270 to other governmental funds to fund debt service requirements and create a capital projects fund for capital improvements, in the amount of \$114,928 and \$268,342, respectively.

17. 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 is available for expenditures by the School District is \$20,433 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

18. 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, Miami, 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. During fiscal year 2013, the School District paid \$40,566 to WOCO for various services. 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 Academy, 1130 East Albert Street, Lima, Ohio 45804.

19. INSURANCE POOLS

A. Ohio School Plan

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

19. INSURANCE POOLS (Continued)

B. Mercer-Auglaize Area Schools Employee Welfare Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven school districts and two educational service centers. The Mercer-Auglaize Area Schools Employee Welfare Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, drug, and dental 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 the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

C. Better Business Bureau of Central Ohio 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 Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan) was established through the Better Business Bureau of Ohio as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the 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, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015

NEW KNOXVILLE LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

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

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 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 § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Adm. Code § 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 §117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements according to generally accounting principles to provide users with more meaningful and complete financial statements.

OFFICIAL'S 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, 2014 AND 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2012-001 | Ohio Rev. Code §. 117.28 and Ohio Admin. Code §. 117-02-03(B) – Failed to file financial statements in accordance with GAAP. | No | Repeated as Finding 2014-001; 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. |



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

New Knoxville Local School District
Auglaize County
P.O. Box 476
345 South Main Street
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 the 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 October 28, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

February 3, 2015

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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
MARCH 10, 2015**