



Dave Yost • Auditor of State

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2014, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Admin. 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, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 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

January 5, 2015

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

The management's discussion and analysis of the New Lexington City School District, Perry County (the "School District"), financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The total net position of the School District decreased \$107,681 or 2% from 2013.
- General receipts accounted for \$17,945,951 or 78.6% of total governmental activities receipts. Program specific receipts accounted for \$4,890,292 or 21.4% of total governmental activities receipts.
- The School District had \$22,943,924 in disbursements related to governmental activities; \$4,890,292 of these expenses was offset by program specific charges for services and sales, operating grants or contributions.
- The general fund had receipts and other financing sources of \$18,797,577 in 2014. This represents an increase of \$447,654 from 2013 receipts. The disbursements and other financing uses of the general fund, which totaled \$18,997,253 in 2014 increased \$380,431 from 2013. The net decrease in fund balance for the general fund was \$199,676 or 7.9%.
- The classroom facilities maintenance fund had receipts of \$124,102 in 2014 a decrease of \$4,849 from 2013 receipts. The disbursements of the classroom facilities maintenance fund, which totaled \$106,989 in 2014 increased \$61,087 from 2013. The net increase in fund balance was \$17,113 or 4.2%.
- The debt service fund had receipts of \$278,061 in 2014, which is a decrease of \$25,873 from 2013 receipts. The disbursements in the debt service fund totaled \$287,600 in 2014, which increased \$1,748 from 2013. The net decrease in fund balance was \$9,539 or 1.7%.
- General fund had actual receipts equaled final budget estimates at June 30, 2014. Actual disbursements were \$109,887 less than the amount in the final budget. These variances are the result of the School District's conservative budgeting.
- The classroom facilities maintenance fund had actual receipts which equaled final budgeted receipts. Actual disbursements equaled the final budget at June 30, 2014.

The Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?"

These statements will provide information about the activities of the School District as a whole in accordance with the cash basis of accounting. These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, variations of economic conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the School District presents one distinct kind of activity:

Governmental activities - Most of the School District's programs and services are reported here including instruction (regular, special, vocational, and other) and support services (operating and maintenance of buildings, administration, pupil transportation, etc). These services are funded primarily by property taxes and intergovernmental receipts including Federal and State grants and other shared receipts.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the School District's most significant funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements as limited to the cash basis of accounting.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of receipts, disbursements, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

The School District maintains a multitude of individual governmental funds. The School District has segregated these funds into major funds and nonmajor funds. The School District's major governmental funds are the general fund, classroom facilities maintenance fund and debt service fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of receipts, disbursements, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

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

Fiduciary Funds

The School District's only fiduciary fund is for student managed activities reported as agency funds. The School District's fiduciary activities are reported in the Statement of Fiduciary Net Position for these activities.

Government-Wide Financial Analysis

The table below provides a summary of the School District's assets and net position at June 30, 2014 and 2013:

	Net Position	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,316,846	\$ 5,424,527
Total Assets	<u>\$ 5,316,846</u>	<u>\$ 5,424,527</u>
<u>Net Position</u>		
Restricted for:		
Capital Projects	\$ -	\$ 10,871
Debt Service	564,731	574,270
Claims	299,671	210,137
Building Maintenance	420,300	403,187
State and Federal Grants	15,034	10,581
Other Purposes	60,919	50,589
Unrestricted	<u>3,956,191</u>	<u>4,164,892</u>
Total Net Position	<u>\$ 5,316,846</u>	<u>\$ 5,424,527</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, net position was \$5,316,846 a decrease of \$107,681 from 2013. However, the School District is able to report positive balances in its categories of net position noting a portion of the School District's net position, or \$1,360,655, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,956,191 may be used to meet the School District's ongoing obligations to citizens and creditors.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

The table below shows the changes in net position for fiscal years 2014 and 2013:

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 961,277	\$ 862,025
Operating Grants and Contributions	3,929,015	3,311,071
General Receipts:		
Property Taxes	3,143,267	3,292,820
Unrestricted Grants and Entitlements	14,370,233	14,118,121
Sale of Capital Assets	-	-
Lease Proceeds	-	1,011,642
Earnings on Investments	7,153	7,781
Other	<u>425,298</u>	<u>437,096</u>
Total Receipts	<u>22,836,243</u>	<u>23,040,556</u>
Disbursements:		
Instruction:		
Regular	8,872,436	8,618,740
Special	3,856,708	3,768,293
Vocational	597,492	654,623
Other	5,388	3,745
Support Services:		
Pupils	1,333,425	1,096,799
Instructional Staff	451,857	571,656
Board of Education	85,574	13,162
Administration	1,826,191	1,695,454
Fiscal Services	385,502	384,548
Business	66,645	57,820
Operation and Maintenance of Plant	1,725,014	1,521,616
Pupil Transportation	1,305,607	1,252,233
Central	357,710	292,531
Food Service Operations	1,071,750	1,025,172
Community Services	67,392	119,587
Academic & Subject Oriented Activities	237,685	244,574
Extracurricular Activities	171,259	127,397
Capital Outlay	5,114	1,535,133
Debt Service:		
Principal Retirement	375,000	395,000
Interest and Fiscal Charges	146,175	167,947
Issuance Costs	<u>-</u>	<u>79,832</u>
Total Disbursements	<u>22,943,924</u>	<u>23,625,862</u>
Change in Net Position	(107,681)	(585,306)
Net Position at Beginning of Year	<u>5,424,527</u>	<u>6,009,833</u>
Net Position at End of Year	<u>\$ 5,316,846</u>	<u>\$ 5,424,527</u>

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Governmental Activities

Governmental activities net position was \$5,316,846 a decrease of \$107,681 from 2013.

The significant major program disbursements for the School District include Instruction (Regular, Special, Vocational, and Other) and Support Services, which primarily supports Pupil, Administration, Operation and Maintenance of Plant, and Pupil Transportation disbursements. Instruction and Support Services had disbursements of \$13,332,024 and \$7,537,525, respectively, and accounted for 58.1% and 32.9% of the governmental disbursements of the School District, respectively. These disbursements were partially funded by \$766,300 in direct charges and sales and \$3,088,630 in operating grants and contributions.

The State and Federal government contributed to the School District a total of \$3,929,015 in operating grants and contributions and are restricted to a particular program or purpose.

General receipts accounted for \$17,945,951 or 78.6% of total governmental activities receipts. These receipts primarily consist of property taxes and unrestricted grants and entitlements. These receipt line items total \$17,513,500 which is 97.6% of general receipts or 76.7% of all receipts.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements. As can be seen in the table below, the School District is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Program Disbursements:				
Instruction	\$ 13,332,024	\$ 10,380,478	\$ 13,045,401	\$ 11,154,436
Support Services	7,537,525	6,634,141	6,885,819	6,061,067
Food Service Operations	1,071,750	189,678	1,025,172	81,528
Community Services	67,392	(3,874)	119,587	11,522
Academic & Subject Oriented Activities	237,685	237,685	244,574	244,574
Extracurricular Activities	171,259	94,349	127,397	38,343
Capital Outlay	5,114	-	1,535,133	1,218,517
Debt Service	<u>521,175</u>	<u>521,175</u>	<u>642,779</u>	<u>642,779</u>
Total Disbursements	<u>\$ 22,943,924</u>	<u>\$ 18,053,632</u>	<u>\$ 23,625,862</u>	<u>\$ 19,452,766</u>

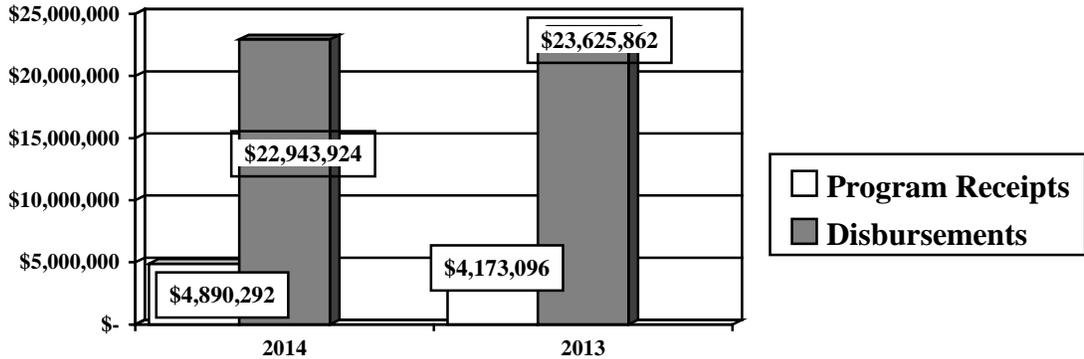
The increase in Instruction and Support Service disbursements is attributed cost of living raises and step increases for staff. Capital Outlay disbursements decreased as the School District completed its building improvement project.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

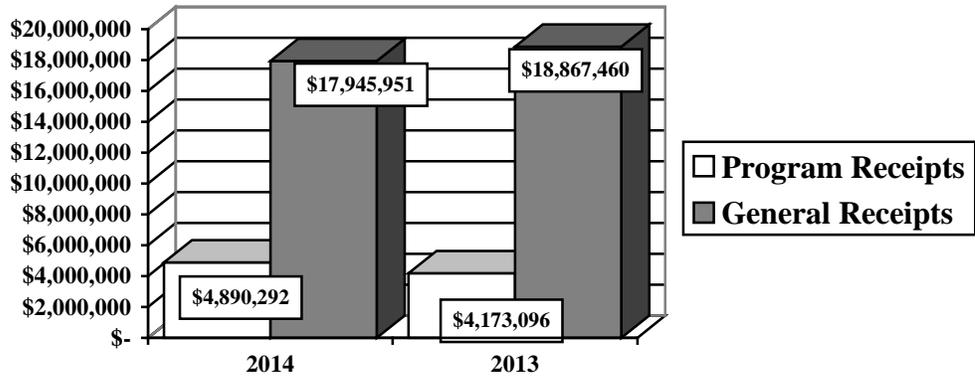
The graph below shows governmental-activities program receipts and total disbursements for fiscal years 2014 and 2013.

Governmental Activities - Program Receipts vs. Total Disbursements



The graph below shows governmental-activities general and program receipts for fiscal years 2014 and 2013.

Governmental Activities - General and Program Receipts



General receipts decreased \$921,509 which is attributed to the District receiving less Certificate of Participation Lease proceeds off-set by increased property taxes and unrestricted grants. Program receipts increased from 2013 based on higher state and federal grants as well as tuition receipts.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The School District's governmental funds reported a combined fund balance of \$3,335,337 which is \$91,209 less than last fiscal year's total of \$3,426,546. The schedule below indicates the fund balances and the total change in fund balances for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>6/30/2014</u>	<u>Fund Balances</u> <u>6/30/2013</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,304,800	\$ 2,504,476	\$ (199,676)
Classroom Facilities Maintenance	420,300	403,187	17,113
Debt Service	564,731	574,270	(9,539)
Other Nonmajor Governmental Funds	<u>45,506</u>	<u>(55,387)</u>	<u>100,893</u>
Total	<u>\$ 3,335,337</u>	<u>\$ 3,426,546</u>	<u>\$ (91,209)</u>

Total fund balances for governmental funds decreased 2.7% based on higher disbursements when compared to 2013.

General Fund

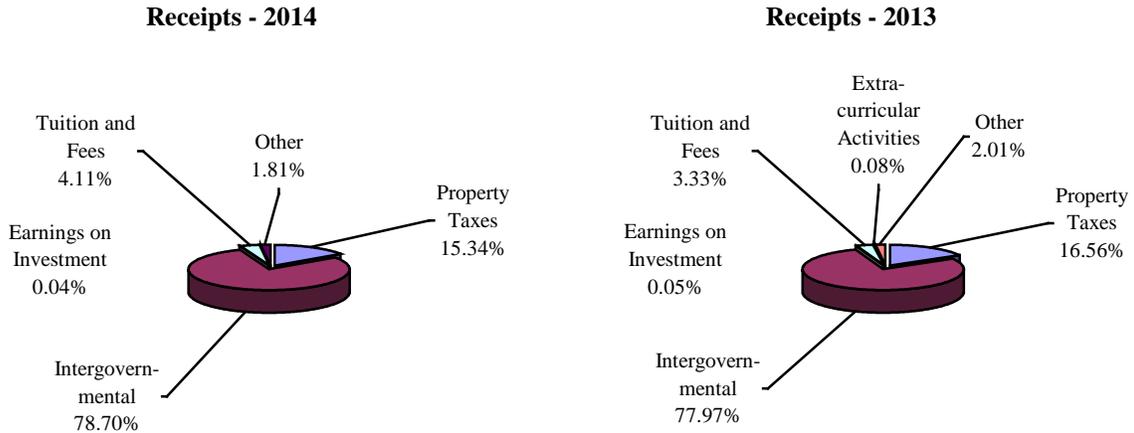
The table that follows assists in illustrating the receipts of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Property Taxes	\$ 2,860,969	\$ 2,974,523	(3.8) %
Intergovernmental	14,676,246	14,004,196	4.8 %
Earnings on Investments	7,153	7,765	(7.9) %
Tuition and Fees	766,300	598,941	27.9 %
Extracurricular Activities	-	14,871	(100.0) %
Other	<u>336,889</u>	<u>361,685</u>	<u>(6.9) %</u>
Total	<u>\$ 18,647,557</u>	<u>\$ 17,961,981</u>	3.8 %

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Intergovernmental receipts represent 78.7% of all general fund receipts noting total general fund receipts increased 3.8% from 2013 and are attributed to increase in tuition and fees. The graphs below show a breakdown of the general fund's receipts for June 30, 2014 and 2013:



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

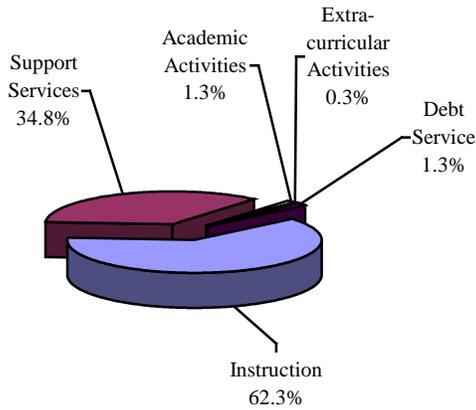
	<u>2014</u> Amount	<u>2013</u> Amount	<u>Percentage</u> Change
<u>Disbursements</u>			
Instruction	\$ 11,672,608	\$ 11,712,292	(0.3) %
Support Services	6,512,560	5,957,721	9.3 %
Academic & Subject Oriented Activities	237,685	244,574	(2.8) %
Extracurricular Activities	56,160	38,661	45.3 %
Capital Outlay	-	237,978	(100) %
Debt Service	243,075	286,447	(15.1) %
Total	<u>\$ 18,722,088</u>	<u>\$ 18,477,673</u>	1.3 %

Disbursements increased slightly during 2014 of 1.3%. The graphs below show the general fund's disbursements for June 30, 2014 and 2013:

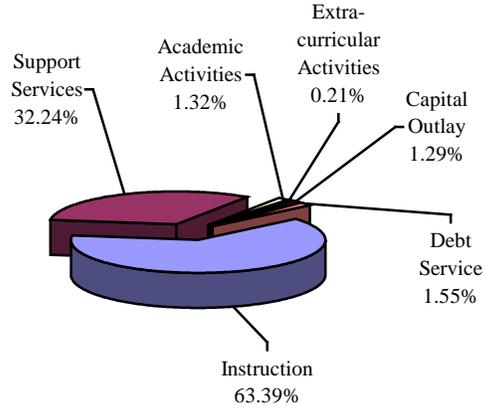
**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Disbursements - 2014



Disbursements - 2013



Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund had receipts of \$124,102 in 2014 a decrease of \$4,849 from 2013 receipts. The disbursements of the classroom facilities maintenance fund, which totaled \$106,989 in 2014 increased \$61,087 from 2013. The net increase in fund balance was \$17,113 or 4.2%.

Debt Service Fund

The debt service fund had receipts of \$278,061 in 2014, which is a decrease of \$25,873 from 2013 receipts. The disbursements in the debt service fund totaled \$287,600 in 2014, which increased \$1,748 from 2013. The net decrease in fund balance was \$9,539 or 1.7%.

Budgeting Highlights

The School District's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the School District's appropriations which are restricted by the amounts of anticipated receipts certified by the Budget Commission in accordance with the ORC. Therefore, the School District's plans or desires cannot be totally reflected in the original budget. If budgeted receipts are adjusted due to actual activity then the appropriations can be adjusted accordingly.

General fund had actual receipts equaled final budget estimates at June 30, 2014. Actual disbursements were \$109,887 less than the amount in the final budget. These variances are the result of the School District's conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

The School District does not report capital assets based on the cash basis of accounting.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013:

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$ 1,649,996	\$ 1,864,996
Capital Lease Obligation	2,530,000	2,690,000
Total	\$ 4,179,996	\$ 4,554,996

Additional information regarding the School District's outstanding debt can be found in Note 11.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Christie Barnette, Treasurer, 1605 Airport Road, New Lexington, Ohio 43764.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Net Position - Cash Basis
June 30, 2014*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,316,846</u>
<i>Total Assets</i>	<u><u>\$5,316,846</u></u>
Net Position	
Restricted for:	
Debt Service	\$564,731
Building Maintenance	420,300
State and Federal Grants	15,034
Other Purposes	60,919
Claims	299,671
Unrestricted	<u>3,956,191</u>
<i>Total Net Position</i>	<u><u>\$5,316,846</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014*

	Program Cash Receipts		Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Receipts and Changes in Net Position	
		Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Current:				
Instruction:				
Regular	\$8,872,436	\$537,357	\$685,347	(\$7,649,732)
Special	3,856,708	189,369	1,238,516	(2,428,823)
Vocational	597,492	39,220	261,383	(296,889)
Other	5,388	354	0	(5,034)
Support Services:				
Pupil	1,333,425	0	339,159	(994,266)
Instructional Staff	451,857	0	190,005	(261,852)
Board of Education	85,574	0	0	(85,574)
Administration	1,826,191	0	253,869	(1,572,322)
Fiscal	385,502	0	2,969	(382,533)
Business	66,645	0	0	(66,645)
Operation and Maintenance of Plant	1,725,014	0	0	(1,725,014)
Pupil Transportation	1,305,607	0	75,788	(1,229,819)
Central	357,710	0	41,594	(316,116)
Operation of Non-Instructional Services:				
Food Service Operation	1,071,750	118,067	764,005	(189,678)
Community Services	67,392	0	71,266	3,874
Academic & Subject Oriented Activities	237,685	0	0	(237,685)
Extracurricular Activities	171,259	76,910	0	(94,349)
Capital Outlay	5,114	0	5,114	0
Debt Service:				
Principal Retirement	375,000	0	0	(375,000)
Interest and Fiscal Charges	146,175	0	0	(146,175)
<i>Total</i>	<u>\$22,943,924</u>	<u>\$961,277</u>	<u>\$3,929,015</u>	<u>(18,053,632)</u>
		General Receipts:		
		Property Taxes Levied for:		
		General Purposes		2,860,969
		Debt Service		235,861
		Classroom Facilities		46,437
		Unrestricted Grants and Entitlements		14,370,233
		Earnings on Investments		7,153
		Other		425,298
		<i>Total General Receipts</i>		<u>17,945,951</u>
		Change in Net Position		(107,681)
		<i>Net Position Beginning of Year</i>		<u>5,424,527</u>
		<i>Net Position End of Year</i>		<u>\$5,316,846</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2014*

	General Fund	Classroom Facilities Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,304,800	\$420,300	\$564,731	\$45,506	\$3,335,337
<i>Total Assets</i>	<u>\$2,304,800</u>	<u>\$420,300</u>	<u>\$564,731</u>	<u>\$45,506</u>	<u>\$3,335,337</u>
Fund Balances					
Restricted:					
Debt Service	\$0	\$0	\$564,731	\$0	564,731
State and Federal Grants	0	0	0	15,034	15,034
Building Maintenance	0	420,300	0	0	420,300
Other Purposes	0	0	0	60,919	60,919
Assigned:					
Public School Support	58,064	0	0	0	58,064
Future Obligations	176,530	0	0	0	176,530
Subsequent Year Appropriations	75,484	0	0	0	75,484
Unassigned (Deficit)	1,994,722	0	0	(30,447)	1,964,275
<i>Total Fund Balances</i>	<u>\$2,304,800</u>	<u>\$420,300</u>	<u>\$564,731</u>	<u>\$45,506</u>	<u>\$3,335,337</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
June 30, 2014*

Total Governmental Fund Balances	\$3,335,337
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Governmental activities' net position includes the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.	<u>1,981,509</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$5,316,846</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2014*

	General Fund	Classroom Facilities Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$2,860,969	\$46,437	\$235,861	\$0	\$3,143,267
Intergovernmental	14,676,246	76,716	37,279	3,509,007	18,299,248
Earnings on Investments	7,153	0	0	0	7,153
Tuition and Fees	766,300	0	0	0	766,300
Extracurricular Activities	0	0	0	76,910	76,910
Charges for Services	0	0	0	118,067	118,067
Other Receipts	336,889	949	4,921	82,539	425,298
<i>Total Receipts</i>	<u>18,647,557</u>	<u>124,102</u>	<u>278,061</u>	<u>3,786,523</u>	<u>22,836,243</u>
Disbursements					
Current:					
Instruction:					
Regular	8,187,460	0	0	677,687	8,865,147
Special	2,882,880	0	0	971,354	3,854,234
Vocational	596,880	0	0	0	596,880
Other	5,388	0	0	0	5,388
Support Services:					
Pupil	993,781	0	0	339,159	1,332,940
Instructional Staff	254,207	0	0	197,522	451,729
Board of Education	85,467	0	0	0	85,467
Administration	1,590,003	0	0	235,148	1,825,151
Fiscal	370,915	1,813	9,500	2,969	385,197
Business	35,567	0	0	31,078	66,645
Operation and Maintenance of Plant	1,574,999	85,627	0	63,339	1,723,965
Pupil Transportation	1,274,973	0	0	29,123	1,304,096
Central	332,648	0	0	24,920	357,568
Operation of Non-Instructional Services:					
Food Service Operation	0	19,549	0	1,050,932	1,070,481
Community Services	0	0	0	67,369	67,369
Academic & Subject Oriented Activities	237,685	0	0	0	237,685
Extracurricular Activities	56,160	0	0	115,061	171,221
Capital Outlay	0	0	0	5,114	5,114
Debt Service:					
Principal Retirement	160,000	0	215,000	0	375,000
Interest and Fiscal Charges	83,075	0	63,100	0	146,175
<i>Total Disbursements</i>	<u>18,722,088</u>	<u>106,989</u>	<u>287,600</u>	<u>3,810,775</u>	<u>22,927,452</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(74,531)</u>	<u>17,113</u>	<u>(9,539)</u>	<u>(24,252)</u>	<u>(91,209)</u>
Other Financing Sources (Uses)					
Transfers In	10,871	0	0	0	10,871
Transfers Out	0	0	0	(10,871)	(10,871)
Advances In	139,149	0	0	275,165	414,314
Advances Out	(275,165)	0	0	(139,149)	(414,314)
<i>Total Other Financing Sources (Uses)</i>	<u>(125,145)</u>	<u>0</u>	<u>0</u>	<u>125,145</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(199,676)</u>	<u>17,113</u>	<u>(9,539)</u>	<u>100,893</u>	<u>(91,209)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,504,476</u>	<u>403,187</u>	<u>574,270</u>	<u>(55,387)</u>	<u>3,426,546</u>
<i>Fund Balances End of Year</i>	<u>\$2,304,800</u>	<u>\$420,300</u>	<u>\$564,731</u>	<u>\$45,506</u>	<u>\$3,335,337</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds	(\$91,209)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>(16,472)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$107,681)</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$3,209,361	\$2,860,969	\$2,860,969	\$0
Intergovernmental	14,675,693	14,676,246	14,676,246	0
Earnings on Investments	0	7,153	7,153	0
Tuition and Fees	0	766,300	766,300	0
Other	0	170,380	170,380	0
<i>Total Receipts</i>	<u>17,885,054</u>	<u>18,481,048</u>	<u>18,481,048</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	8,079,098	8,282,756	8,269,178	13,578
Special	2,957,612	2,947,536	2,903,079	44,457
Vocational	857,921	608,740	604,480	4,260
Other	3,745	6,285	5,388	897
Support Services:				
Pupil	770,556	996,630	991,443	5,187
Instructional Staff	289,811	283,615	283,096	519
Board of Education	14,126	87,275	85,467	1,808
Administration	1,501,071	1,603,125	1,598,325	4,800
Fiscal	377,080	378,490	373,744	4,746
Business	16,410	32,090	31,940	150
Operation and Maintenance of Plant	1,488,715	1,596,074	1,575,558	20,516
Pupil Transportation	1,271,216	1,283,415	1,281,539	1,876
Central	294,116	321,845	320,853	992
Operation of Non-Instructional Services:				
Food Service Operation				
Academic & Subject Oriented Activities	244,573	240,673	237,685	2,988
Extracurricular Activities	38,660	60,216	57,162	3,054
Capital Outlay				
Debt Service:				
Principal Retirement	190,000	160,000	160,000	0
Interest and Fiscal Charges	96,447	83,075	83,075	0
<i>Total Disbursements</i>	<u>18,491,157</u>	<u>18,971,840</u>	<u>18,862,012</u>	<u>109,828</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(606,103)</u>	<u>(490,792)</u>	<u>(380,964)</u>	<u>109,828</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	133,962	133,962	0
Transfers In	0	10,871	10,871	0
Advances In	0	139,149	139,149	0
Advances Out	0	(275,224)	(275,165)	59
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>8,758</u>	<u>8,817</u>	<u>59</u>
<i>Net Change in Fund Balance</i>	<u>(606,103)</u>	<u>(482,034)</u>	<u>(372,147)</u>	<u>109,887</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>2,384,776</u>	<u>2,384,776</u>	<u>2,384,776</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>57,578</u>	<u>57,578</u>	<u>57,578</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$1,836,251</u>	<u>\$1,960,320</u>	<u>\$2,070,207</u>	<u>\$109,887</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$55,142	\$46,437	\$46,437	\$0
Intergovernmental	70,996	76,716	76,716	0
Other	0	949	949	0
<i>Total Receipts</i>	<u>126,138</u>	<u>124,102</u>	<u>124,102</u>	<u>0</u>
Disbursements				
Current:				
Support Services:				
Fiscal	1,807	1,813	1,813	0
Operation and Maintenance of Plant	47,698	89,591	89,591	0
Operation of Non-Instructional Services:				
Food Service Operation	19,464	19,549	19,549	0
Capital Outlay	0	41,911	41,911	0
<i>Total Disbursements</i>	<u>68,969</u>	<u>152,864</u>	<u>152,864</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	57,169	(28,762)	(28,762)	0
<i>Unencumbered Fund Balance Beginning of Year</i>	380,121	380,121	380,121	0
Prior Year Encumbrances Appropriated	<u>23,066</u>	<u>23,066</u>	<u>23,066</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$460,356</u></u>	<u><u>\$374,425</u></u>	<u><u>\$374,425</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2014*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,981,509</u>
<i>Total Assets</i>	<u><u>\$1,981,509</u></u>
Net Position	
Restricted for:	
Claims	\$299,671
Unrestricted	<u>1,681,838</u>
<i>Total Net Position</i>	<u><u>\$1,981,509</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2014*

	Governmental Activity
	Internal Service
Operating Receipts	
Charges for Services	\$3,653,846
Other	8,015
<i>Total Operating Receipts</i>	3,661,861
Operating Disbursements	
Claims	2,959,978
Purchased Services	710,330
Other	8,025
<i>Total Operating Disbursements</i>	3,678,333
<i>Change in Net Position</i>	(16,472)
<i>Net Position Beginning of Year</i>	1,997,981
<i>Net Position End of Year</i>	\$1,981,509

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2014*

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$71,837</u>
<i>Total Assets</i>	<u><u>\$71,837</u></u>
Net Position	
Held on Behalf of Students	<u>\$71,837</u>
<i>Total Net Position</i>	<u><u>\$71,837</u></u>

See accompanying notes to the basic financial statements

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 1 - Reporting Entity

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

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Tri-County Career Center, the Coalition of Rural and Appalachian Schools, the Southeastern Ohio Special Education Regional Resource Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The District does not have or report business-type activities.

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

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include claims and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are as follows:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Debt Service Fund The debt service fund accounts for and reports property taxes restricted for the payment of outstanding long-term debt.

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

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as an internal service fund.

Internal Service Fund Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The District maintains an internal service fund to account for its health insurance benefits and based on the internal service fund predominantly accounting for governmental functions, it has been combined with governmental activities within the government-wide financial statements.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District does not report trust fund accounts. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Basis of Accounting

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Budgetary Process

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

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

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

Cash and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2014 the School District did not report investments.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$7,153.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The District did not report restricted assets at June 30, 2014.

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay disbursement is reported at inception. Lease payments are reported when paid.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the School District's net position was restricted by enabling legislation.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The School District does not have business-type activities.

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District did not incur extraordinary or special items during the fiscal year.

Note 3 – Compliance

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

Note 4 - Budgetary Basis of Accounting

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 4 - Budgetary Basis of Accounting (Continued)

In addition, differences may exist based on fund type reporting criteria between the cash basis financial statements and budgetary basis financial statements. The budgetary comparison information presented at June 30, 2014 for the General Fund and Classroom Facilities Maintenance Special Revenue Fund represents the legally adopted budget for the these funds without modification for the funds no longer meeting certain fund criteria. In prior fiscal years, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, which changed the reporting requirements of the School District’s Public School Support Fund and Uniform School Supply Fund as these funds no longer meet the Special Revenue Fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the School District’s General Fund in the fiscal year-end financial statements.

	General Fund	Classroom Facilities Maintenance Fund
Change in Fund Balance	(\$199,676)	\$17,113
Public School Support Fund	4,059	0
Encumbrances	(176,530)	(45,875)
Change in Fund Balance - Budgetary Basis	(\$372,147)	(\$28,762)

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**NEW LEXINGTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Note 5 – Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or institutions.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At fiscal year end, the carrying amount of all School District deposits was \$5,388,683 and \$5,291,871 of the School District's bank balance of \$5,541,871 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Perry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$130,422,570	88.92%	\$130,756,770	88.89%
Public Utility Personal Property	16,259,370	11.08%	16,341,410	11.11%
Total	\$146,681,940	100.00 %	\$147,098,180	100.00 %
Full Tax Rate per \$1,000 of assessed valuation	\$31.60			

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 7 - Interfund Advances

At June 30, 2014 the following advances were made:

	Advances From		
Advances To	General Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 139,149	\$ 139,149
Other Governmental Funds	275,165	-	275,165
Total	\$ 275,165	\$ 139,149	\$ 414,314

During the year, the General Fund advanced \$249,564 to the Lunchroom Fund, \$582 to Other Local Funds, \$3,856 to Miscellaneous State Funds, \$815 to the Race to the Top Fund, \$3,597 to the Special Education Fund and \$16,751 to the Teacher Incentive Fund. These advances were not repaid during the year. Additionally, Other Governmental Funds repaid prior year advances totaling \$139,149 to the General Fund.

All advances were to cover costs in the funds where receipts were not received by June 30, 2014. These advances will be repaid once the anticipated receipts are received. All advances are expected to be repaid within one year.

Note 8 - Risk Management

A. Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

B. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with the Ohio School Plan for the following insurance coverage:

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 8 - Risk Management (Continued)

Type of Coverage	Deductible	Coverage
Property	\$1,000	\$56,197,899
General Liability, in aggregate		4,000,000
General Liability, per occurrence		2,000,000
Bodily Injury, per person		2,000,000
Bodily Injury, per accident		2,000,000
Property Damage		2,000,000
Uninsured Motorist, per person		250,000
Uninsured Motorist, per accident		250,000

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

C. Employee Medical Benefits

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

During the fiscal year, employees of the School District were covered by the District's medical/surgical and dental self-insurance plan (the Plan). The School District contributed approximately 89.78% per month per employee to the Plan and employees authorized payroll withholdings for their respective remaining share. A summary of cash and cash equivalents and claim liabilities that existed at June 30, 2014 and 2013 are as follows:

	Balance at June 30, 2014	Balance at June 30, 2013
Cash and Cash Equivalents:	\$1,981,509	\$1,997,981
Claims Liability at June 30:	392,200	402,300

Note 9 - Defined Benefit Pension Plans

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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 9 - Defined Benefit Pension Plans (Continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$991,055, \$919,300, and \$857,771, respectively, which equaled the required contributions each year.

School Employees Retirement System

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 9 - Defined Benefit Pension Plans (Continued)

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$264,916, \$345,207 and \$372,374, respectively, which equaled the required contributions each fiscal year.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, two of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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 to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment 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 post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$76,235, \$70,715, and \$65,982, respectively, which equaled the required contributions each year.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 10 - Postemployment Benefits (Continued)

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 on 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 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, 0.14 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.

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 contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$42,577, \$34,551, and \$47,374, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$15,369, \$19,500, and \$21,991, respectively, which equaled the required contributions each fiscal year.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 11 - Debt

The changes in the School District's long-term debt during fiscal year 2014 were as follows:

	Outstanding June 30, 2013	Additions	Deletions	Outstanding June 30, 2014	Due Within One Year
Governmental Activities					
2007 General Obligation					
Refunding Bonds - 4% - 4.4%	\$1,864,996	\$0	(\$215,000)	\$1,649,996	\$220,000
2012 Certificate of Participation					
Lease - 6.5%	2,690,000	0	(160,000)	2,530,000	165,000
Total	\$4,554,996	\$0	(\$375,000)	\$4,179,996	\$385,000

2007 School Improvement General Obligation Refunding Bonds: On October 16, 2007, the School District issued \$2,514,996 of general obligation refunding bonds with interest rates ranging from 4.0%-4.4% to refund a portion of the Classroom Facilities General Obligation Bonds. The bonds are being retired from the Bond Retirement Debt Service Fund from a voted tax levy.

2012 Certificates of Participation Lease Purchase Financing Agreement: On March 26, 2012, the School District entered into a lease financing purchase agreement totaling \$2,880,000 for the purpose of financing certain building improvements consisting of energy conservation improvements, including replacement of boilers and chillers, control upgrades, chilled water loop and other improvements. The lease purchase agreement is being retired from the General Fund from an unvoted tax levy.

The following amortization schedule sets forth the following principal and interest requirements of the School District's outstanding debt.

Fiscal Year Ended June 30:	General Obligation Refunding Bonds			Certification of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$220,000	\$54,400	\$274,400	\$165,000	\$79,825	\$244,825
2016	230,000	45,400	275,400	170,000	76,475	246,475
2017	240,000	36,000	276,000	170,000	72,438	242,438
2018	250,000	26,200	276,200	175,000	67,475	242,475
2019	260,000	16,000	276,000	180,000	62,150	242,150
2020-2024	449,996	392,004	842,000	990,000	221,375	1,211,375
2025-2027	0	0	0	680,000	41,125	721,125
Total	\$1,649,996	\$570,004	\$2,220,000	\$2,530,000	\$620,863	\$3,150,863

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 12 – Leases

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

Year	Principal	Interest	Total
2015	\$136,185	\$2,588	\$138,773
Total	\$136,185	\$2,588	\$138,773

Note 13 – Set-Aside Requirements

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for the capital improvements set aside. Disclosure of this information is required by State statute.

	Capital Improvements	Budget Stabilization
Set-Aside Balance as of June 30, 2013	\$0	\$695,166
Current Year Set-aside Requirement	320,535	0
Offsets	(124,102)	0
Qualifying Disbursements	(327,568)	0
Total	(\$131,135)	\$695,166
Set-aside Balance Carried		
Forward to Future Fiscal Years	\$0	\$695,166
Set-aside Balance as of June 30, 2014	\$0	\$0

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 13 – Set-Aside Requirements (Continued)

Although Senate Bill 345 eliminated the required budget stabilization set-aside effective April 10, 2001, the School District has elected to designate funds to offset any budget deficit the School District may experience in future fiscal years. The School District opted not to contribute to the budget stabilization account in fiscal year 2014.

Note 14 – Significant Commitments

Contractual Commitments

The School District had the following significant contractual commitment at June 30, 2014:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Disbursed at June 30, 2014</u>	<u>Balance at June 30, 2014</u>
Middle School Roof Projects	Duro Last Roofing	\$41,911	\$0	\$41,911

Encumbrances

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

<u>Governmental Funds</u>	
General	\$ 178,349
Classroom Facilities Maintenance	45,875
Other Governmental Funds	267,084
Total Governmental Funds	<u>491,308</u>
<u>Proprietary Fund</u>	
Internal Service	1,388
Total	<u>\$ 492,696</u>

Note 15 – Contingent Liabilities

A. Litigation

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

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 15 – Contingent Liabilities (Continued)

B. Grants

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 16 - Jointly Governed Organizations

A. Southeastern Ohio Special Education Regional Resource Council

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

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the Coalition) consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each county elected by the school districts within that county.

The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District contributed \$60 to the Coalition during fiscal year 2014.

C. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Educational Consortium (SEOVEC) was created as a regional council of governments pursuant to state statute. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

SEOVEC has 36 participants consisting of 28 school districts and 8 educational service centers. SEOVEC is governed by a board with is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$90,362 for services provided during the fiscal year. Financial information may be obtained by writing to the Treasurer of SEOVEC at 221 North Columbus Road, Athens Ohio 45710.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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

Note 16 - Jointly Governed Organizations (Continued)

D. Tri-County Career Center

The Tri-County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven appointed representatives from the eight participating school districts. The Board possesses its own budgeting and taxing authority. Financial information may be obtained by writing to the Treasurer at 15676 State Route 691, Nelsonville, Ohio 45764.

Note 17 – Public Entity Risk Pools

Ohio School Boards Association Workers’ Compensation Group Rating Plan

The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 18 – Subsequent Events

The School District entered into a lease agreement with Apple Financial Services on August 1, 2014 for the purchase of computer hardware in the amount of \$157,740 at an interest rate of 2.9%.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR		Federal		
<i>Pass-Through Grantor</i>	Grant	CFDA	Receipts	Disbursements
<i>Program Title</i>	Year	Number		
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2013/2014	10.553	\$ 6,580	\$ 6,580
National School Lunch Program	2013/2014	10.555	37,288	37,288
Non-Cash Assistance Subtotal			<u>43,868</u>	<u>43,868</u>
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	237,091	237,091
National School Lunch Program	2013/2014	10.555	478,623	478,623
Summer Food Service Program for Children	2013/2014	10.559	34,581	34,581
Cash Assistance Subtotal			<u>750,295</u>	<u>750,295</u>
Total Child Nutrition Cluster			<u>794,163</u>	<u>794,163</u>
Total U.S. Department of Agriculture			794,163	794,163
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	187,339	107,282
	2014		763,383	771,732
Total Title I Grants to Local Educational Agencies			<u>950,722</u>	<u>879,014</u>
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA Part B)				
	2013	84.027	83,612	49,562
	2014		326,355	331,479
Special Education, Grants to States, (IDEA Part B), Subtotal			<u>409,967</u>	<u>381,041</u>
Special Education Preschool Grants	2014	84.173	6,138	6,138
Total Special Education Cluster (IDEA)			416,105	387,179
Twenty-First Century Community Learning Centers	2013	84.287	177,771	173,107
	2014		319,432	320,623
Total Twenty-First Century Community Learning Centers			<u>497,203</u>	<u>493,730</u>
Rural Education	2013	84.358	22,062	22,062
	2014		31,751	31,751
Total Rural Education			<u>53,813</u>	<u>53,813</u>
Improving Teacher Quality State Grants	2013	84.367	12,892	12,892
	2014		119,597	119,597
Total Improving Teacher Quality State Grants			<u>132,489</u>	<u>132,489</u>
Teacher Incentive Fund (TIF) Cluster:				
Teacher Incentive Fund				
	2013	84.374	61,223	21,809
	2014		45,738	69,190
Teacher Incentive Fund Subtotal			<u>106,961</u>	<u>90,999</u>
ARRA - Teacher Incentive Fund, Recovery Act:				
Assessment Literacy PD Grant				
	2013	84.385	21,664	18,097
PD Supplemental Allocation				
	2014		16,077	16,077
Year 3 Payout Allocation				
	2014		157,523	157,523
ARRA - Teacher Incentive Fund, Recovery Act Subtotal			<u>195,264</u>	<u>191,697</u>
Teacher Incentive Fund (TIF) Cluster Total			302,225	282,696
ARRA - Race-to-the-Top Incentive Grants, Recovery Act:				
Race to the Top				
FAMS Grant MS	2013	84.395	1,923	1,374
FAMS Grant MS	2013		34,125	2,507
FAMS Grant MS	2014		34,040	47,250
Race to the Top	2014		60,096	60,187
Ohio Advanced Placement Network	2014		9,854	10,000
Additional OAC Funding	2014		23,300	23,300
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>163,338</u>	<u>144,618</u>
Total U.S. Department of Education			2,515,895	2,373,539
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
<i>Direct Program:</i>				
Medicaid Assistance Program	2014	93.778	176,568	176,568
Total Federal Awards Receipts and Expenditures			<u>\$ 3,486,626</u>	<u>\$ 3,344,270</u>

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 5, 2015, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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 responses 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 5, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the New Lexington City School District's, Perry County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State

Columbus, Ohio

January 5, 2015

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified – Title I, Part A; Nutrition Cluster; and 21 st Century Grant
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Nutrition Cluster CFDA #'s 10.553, 10.555 and 10.559 • Title I, Part A CFDA # 84.010 • 21st Century Grant CFDA# 84.287 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance

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

NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)

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

FINDING NUMBER 2014-001 (Continued)

Noncompliance - Ohio Rev. Code § 117.38 (Continued)

Ohio Admin. Code § 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	A noncompliance citation was issued under Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected; this item is repeated in the accompanying Schedule of Findings as Finding Number 2014-001.
2013-002	A significant deficiency was issued as incorrect amounts for the Classroom Facilities Maintenance Fund were pulled from budgetary documents during the compilation process.	Yes	
2013-003	A noncompliance citation/significant deficiency/questioned cost was issued under 2 C.F.R. Part 225, Appendix B (8)(g)(2) a severance payment made to a Title I teacher without the benefit of having a cost allocation plan in place.	Yes	.
2013-004	A noncompliance citation/material weakness was issued under 7 C.F.R. Part 245.6a for not obtaining proper documentation to determine that students were eligible for free or reduced lunch.	Yes	

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NEW LEXINGTON CITY SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2015**