



Dave Yost • Auditor of State

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

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PERRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

New Lexington City School District
Perry County
2549 Panther Drive
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, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington City School District, Perry County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) 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 not a required part of the financial statements.

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

Other Information

We applied no procedures to Management's Discussion and Analysis or to the Schedules of Net Pension Liabilities and Pension Contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2016

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management's discussion and analysis of the New Lexington 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, 2015. 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 2015 are as follows:

- The total net position of the School District decreased \$258,662 or 5% from 2014.
- General receipts accounted for \$19,839,452 or 81% of total governmental activities receipts. Program specific receipts accounted for \$4,564,177 or 19% of total governmental activities receipts.
- The School District had \$24,662,291 in expenses related to governmental activities; \$4,564,177 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 \$19,353,920 in 2015. This represents an increase of \$556,343 from 2014 receipts. The disbursements and other financing uses of the general fund, which totaled \$19,526,965 in 2015 increased \$529,712 from 2014. The net decrease in fund balance for the general fund was \$173,045 or 8%.
- The debt service fund had receipts of \$298,745 in 2015, which is a increase of \$20,684 from 2014 receipts. The disbursements in the debt service fund totaled \$281,387 in 2015, which decreased \$6,213 from 2014. The net increase in fund balance was \$17,358 or 3%.
- The building fund had other financing receipts of \$1,392,183 in 2015, which is an increase of \$1,392,183 from 2014 receipts. The disbursements in the building fund totaled \$471,557 in 2015, which increased \$460,686 from 2014. The net increase in fund balance was \$920,626 or 100%.
- General fund actual receipts equaled final budget estimates at June 30, 2015. Actual disbursements were \$141,314 less than the amount in the final budget. These variances are the result of the School District's conservative budgeting.

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, 2015
(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 2015?"

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, 2015
(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, debt service fund and building 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, 2015 and 2014:

	<u>Net Position</u>	
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,058,184	\$ 5,316,846
Total Assets	<u>\$ 5,058,184</u>	<u>\$ 5,316,846</u>
<u>Net Position</u>		
Restricted for:		
Debt Service	\$ 582,089	\$ 564,731
Capital Projects	920,626	-
Claims	320,617	299,671
Building Maintenance	356,409	420,300
State and Federal Grants	90,049	15,034
Other Purposes	4,703	60,919
Unrestricted	<u>2,783,691</u>	<u>3,956,191</u>
Total Net Position	<u>\$ 5,058,184</u>	<u>\$ 5,316,846</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, net position was \$5,058,184 a decrease of \$258,662 from 2014. 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 \$2,274,493, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,783,691 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, 2015
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2015 and 2014:

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 926,824	\$ 961,277
Operating Grants and Contributions	3,637,353	3,929,015
General Receipts:		
Property Taxes	2,977,843	3,143,267
Unrestricted Grants and Entitlements	14,937,957	14,370,233
Certificate of Participation Proceeds	1,385,000	-
Premium on Certificate of Participation	7,183	-
Earnings on Investments	6,071	7,153
Other	<u>525,398</u>	<u>425,297</u>
Total Receipts	<u>24,403,629</u>	<u>22,836,242</u>
Disbursements:		
Instruction:		
Regular	9,166,752	8,872,436
Special	4,002,825	3,856,708
Vocational	684,237	597,492
Other	10,987	5,388
Support Services:		
Pupils	1,337,952	1,333,425
Instructional Staff	735,827	451,857
Board of Education	96,768	85,574
Administration	2,007,310	1,826,191
Fiscal Services	377,056	385,502
Business	58,862	66,645
Operation and Maintenance of Plant	1,897,300	1,725,014
Pupil Transportation	1,363,948	1,305,607
Central	186,837	357,710
Food Service Operations	1,094,227	1,071,751
Community Services	99,093	67,390
Academic & Subject Oriented Activities	249,883	237,685
Extracurricular Activities	241,468	171,259
Capital Outlay	447,729	5,114
Debt Service:		
Principal Retirement	385,000	375,000
Interest and Fiscal Charges	152,491	146,175
Issuance Costs	<u>65,739</u>	<u>-</u>
Total Disbursements	<u>24,662,291</u>	<u>22,943,923</u>
Change in Net Position	(258,662)	(107,681)
Net Position at Beginning of Year	<u>5,316,846</u>	<u>5,424,527</u>
Net Position at End of Year	<u>\$ 5,058,184</u>	<u>\$ 5,316,846</u>

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Governmental Activities

Governmental activities net position was \$5,058,184 a decrease of \$258,662 from 2014.

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 \$13,864,801 and \$8,061,860, respectively, and accounted for 56% and 33% of the governmental disbursements of the School District, respectively. These disbursements were partially funded by \$733,445 in direct charges for services and sales and \$2,814,948 in operating grants and contributions.

The State and Federal government contributed to the School District a total of \$3,637,353 in operating grants and contributions that were restricted to a particular program or purpose.

General receipts accounted for \$19,839,452 or 81% of total governmental activities receipts. These receipts primarily consist of property taxes and unrestricted grants and entitlements. These receipt line items total \$17,915,800 which is 90% of general receipts or 73% of all receipts.

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions 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
	2015	2015	2014	2014
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Program Disbursements:				
Instruction	\$ 13,864,801	\$ 11,265,185	\$ 13,332,024	\$ 10,380,478
Support Services	8,061,860	7,113,083	7,537,525	6,634,141
Food Service Operations	1,094,227	248,336	1,071,751	189,679
Community Services	99,093	(5,261)	67,390	(3,876)
Academic & Subject Oriented Activities	249,883	249,883	237,685	237,685
Extracurricular Activities	241,468	175,929	171,259	94,349
Capital Outlay	447,729	447,729	5,114	-
Debt Service	603,230	603,230	521,175	521,175
	<u>603,230</u>	<u>603,230</u>	<u>521,175</u>	<u>521,175</u>
Total Disbursements	<u>\$ 24,662,291</u>	<u>\$ 20,098,114</u>	<u>\$ 22,943,923</u>	<u>\$ 18,053,631</u>

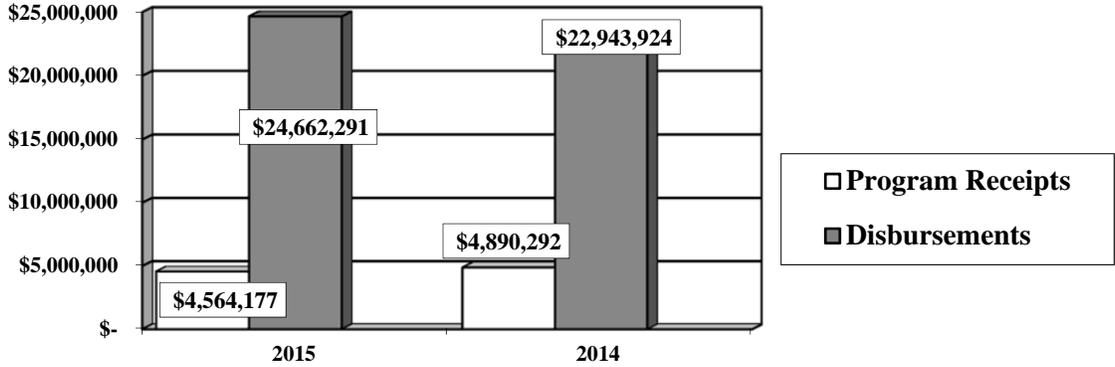
The increase in Instruction and Support Service disbursements is attributed to cost of living raises and step increases for staff. Capital Outlay disbursements increased as the School District began new building improvement projects.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

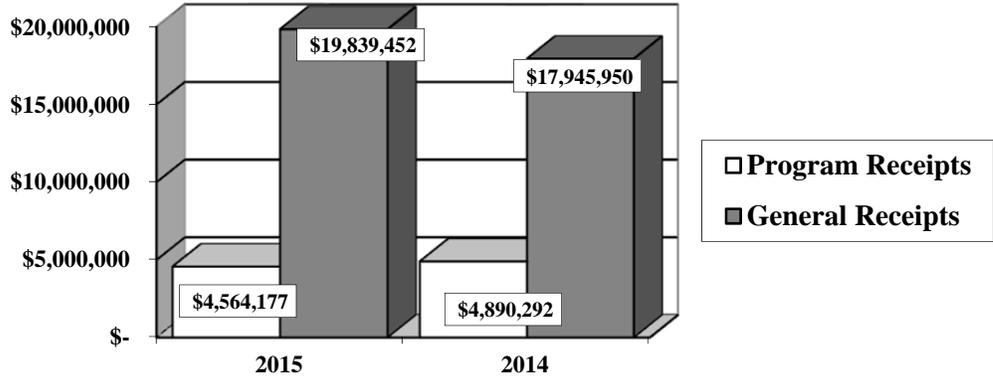
The graph below shows governmental-activities program receipts and total disbursements for fiscal years 2015 and 2014.

Governmental Activities - Program Receipts vs. Total Disbursements



The graph below shows governmental-activities general and program receipts for fiscal years 2015 and 2014.

Governmental Activities - General and Program Receipts



General receipts increased \$1,893,502 which is attributed to the School District issuing \$1,385,000 Certificate of Participation proceeds as well as higher unrestricted grants and entitlements. Program receipts decreased from 2014 based on less 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, 2015
(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 \$3,965,574 which is \$630,237 higher than last fiscal year's total of \$3,335,337. 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>6/30/2015</u>	<u>Fund Balances</u> <u>6/30/2014</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,131,755	\$ 2,304,800	\$ (173,045)
Debt Service	582,089	564,731	17,358
Building	920,626	-	920,626
Other Nonmajor Governmental Funds	<u>331,104</u>	<u>465,806</u>	<u>(134,702)</u>
Total	<u>\$ 3,965,574</u>	<u>\$ 3,335,337</u>	<u>\$ 630,237</u>

Total fund balances for governmental funds increased 19% based on higher disbursements when compared to 2014.

General Fund

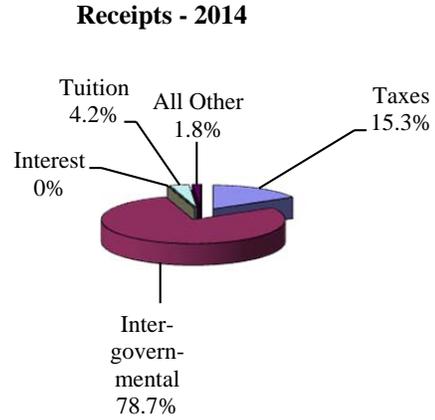
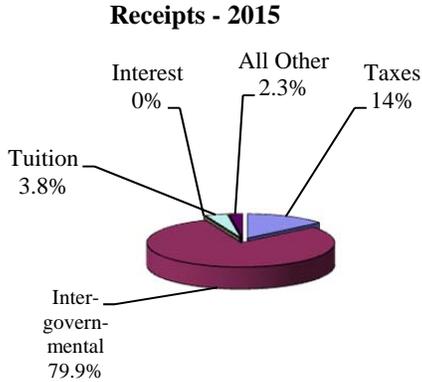
The table that follows assists in illustrating the receipts of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Property Taxes	\$ 2,670,468	\$ 2,860,969	(7) %
Intergovernmental	15,225,232	14,676,246	4 %
Earnings on Investments	6,071	7,153	(15) %
Tuition and Fees	733,445	766,300	(4) %
Other	<u>443,539</u>	<u>336,889</u>	<u>32 %</u>
Total	<u>\$ 19,078,755</u>	<u>\$ 18,647,557</u>	<u>2 %</u>

Intergovernmental receipts represent 80% of all general fund receipts noting total general fund receipts increased 2% from 2014 and are attributed to increase in other local receipts. The graphs below show a breakdown of the general fund's receipts for June 30, 2015 and 2014:

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**



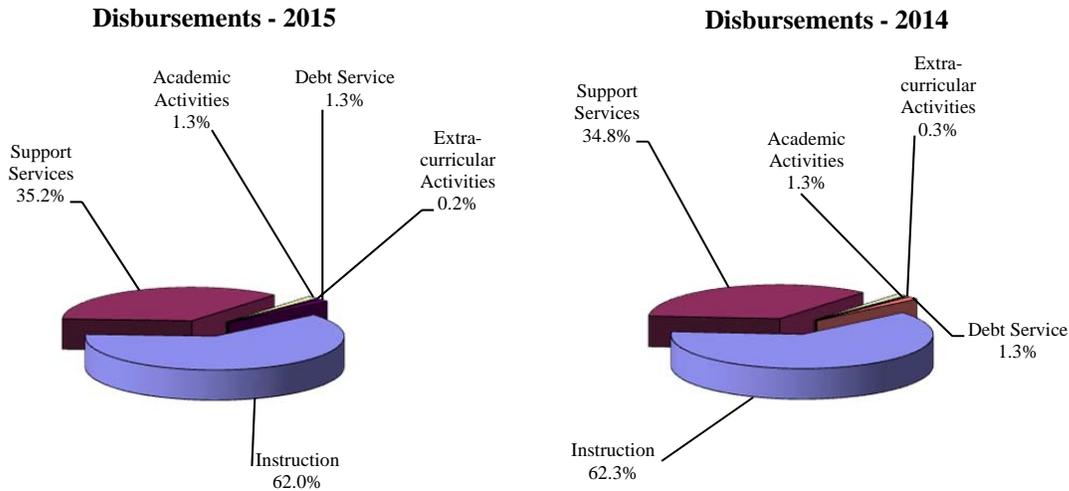
The table that follows assists in illustrating the disbursements of the general fund.

	2015 Amount	2014 Amount	Percentage Change
<u>Disbursements</u>			
Instruction	\$ 11,828,268	\$ 11,672,608	1 %
Support Services	6,713,288	6,512,560	3 %
Academic & Subject Oriented Activities	249,883	237,685	5 %
Extracurricular Activities	29,388	56,160	(48) %
Debt Service	263,091	243,075	8 %
Total	\$ 19,083,918	\$ 18,722,088	2 %

Disbursements increased slightly during 2015 of 2%. The graphs below show the general fund's disbursements for June 30, 2015 and 2014:

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**



Debt Service Fund

The debt service fund had receipts of \$298,745 in 2015, which is an increase of \$20,684 from 2014 receipts. The disbursements in the debt service fund totaled \$281,387 in 2015, which decreased \$6,213 from 2014. The net increase in fund balance was \$17,358 or 3%.

Building Fund

The building fund had other financing receipts of \$1,392,183 in 2015, which is an increase of \$1,392,183 from 2014 receipts. The disbursements in the building fund totaled \$471,557 in 2015, which increased \$460,686 from 2014. The net increase in fund balance was \$920,626 or 100%.

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 actual receipts equaled final budget estimates at June 30, 2015. Actual disbursements were \$141,314 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, 2015
(UNAUDITED)**

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2015 and 2014:

	Governmental Activities	
	2015	2014
General Obligation Bonds	\$ 1,429,996	\$ 1,649,996
Capital Lease Obligation	3,750,000	2,530,000
Total	\$ 5,179,996	\$ 4,179,996

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

Net Pension Liability

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion.

The School District has elected to prepare its financial statements in accordance with the cash basis of accounting and the School District's proportionate share of the net pension liability and proportion of the net pension liability is disclosed in Note 9 to the basic financial statements.

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.

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Net Position - Cash Basis
June 30, 2015*

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,058,184
<i>Total Assets</i>	<u>\$5,058,184</u>
Net Position	
Restricted for:	
Debt Service	\$582,089
Capital Projects	920,626
Building Maintenance	356,409
State and Federal Grants	90,049
Other Purposes	4,703
Claims	320,617
Unrestricted	<u>2,783,691</u>
<i>Total Net Position</i>	<u>\$5,058,184</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, 2015*

	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	\$9,166,752	\$513,744	\$481,727
Special	4,002,825	178,233	1,137,790
Vocational	684,237	40,787	246,654
Other	10,987	681	0
Support Services:			
Pupil	1,337,952	0	353,288
Instructional Staff	735,827	0	335,627
Board of Education	96,768	0	0
Administration	2,007,310	0	198,011
Fiscal	377,056	0	3,114
Business	58,862	0	0
Operation and Maintenance of Plant	1,897,300	0	0
Pupil Transportation	1,363,948	0	51,537
Central	186,837	0	7,200
Operation of Non-Instructional Services:			
Food Service Operation	1,094,227	127,840	718,051
Community Services	99,093	0	104,354
Academic & Subject Oriented Activities	249,883	0	0
Extracurricular Activities	241,468	65,539	0
Capital Outlay	447,729	0	0
Debt Service:			
Principal Retirement	385,000	0	0
Interest and Fiscal Charges	152,491	0	0
Issuance Costs	65,739	0	0
Total	\$24,662,291	\$926,824	\$3,637,353
			(20,098,114)
General Receipts:			
Property Taxes Levied for:			
			2,670,468
			258,393
			48,982
			14,937,957
			1,385,000
			7,183
			6,071
			525,398
			19,839,452
			(258,662)
			5,316,846
			\$5,058,184

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, 2015*

	General Fund	Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,131,755	\$920,626	\$582,089	\$331,104	\$3,965,574
<i>Total Assets</i>	<u>\$2,131,755</u>	<u>\$920,626</u>	<u>\$582,089</u>	<u>\$331,104</u>	<u>\$3,965,574</u>
Fund Balances					
Restricted:					
Debt Service	\$0	\$0	\$582,089	\$0	\$582,089
State and Federal Grants	0	0	0	90,049	90,049
Building Maintenance	0	0	0	356,409	356,409
Capital Outlay	0	920,626	0	0	920,626
Other Purposes	0	0	0	4,703	4,703
Assigned:					
Public School Support	96,707	0	0	0	96,707
Future Obligations	46,795	0	0	0	46,795
Unassigned (Deficit)	1,988,253	0	0	(120,057)	1,868,196
<i>Total Fund Balances</i>	<u>\$2,131,755</u>	<u>\$920,626</u>	<u>\$582,089</u>	<u>\$331,104</u>	<u>\$3,965,574</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, 2015*

Total Governmental Fund Balances	\$3,965,574
 <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>1,092,610</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$5,058,184</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, 2015*

	General Fund	Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$2,670,468	\$0	\$258,393	\$48,982	\$2,977,843
Intergovernmental	15,225,232	0	40,352	3,309,726	18,575,310
Earnings on Investments	6,071	0	0	0	6,071
Tuition and Fees	733,445	0	0	0	733,445
Extracurricular Activities	0	0	0	65,539	65,539
Charges for Services	0	0	0	127,840	127,840
Other Receipts	443,539	0	0	81,859	525,398
Total Receipts	19,078,755	0	298,745	3,633,946	23,011,446
Disbursements					
Current:					
Instruction:					
Regular	8,285,147	0	0	473,864	8,759,011
Special	2,874,364	0	0	977,893	3,852,257
Vocational	657,770	0	0	0	657,770
Other	10,987	0	0	0	10,987
Support Services:					
Pupil	959,826	0	0	353,288	1,313,114
Instructional Staff	386,278	0	0	336,460	722,738
Board of Education	87,383	0	0	0	87,383
Administration	1,754,639	0	0	198,011	1,952,650
Fiscal	349,575	0	6,987	4,409	360,971
Business	57,020	0	0	1,842	58,862
Operation and Maintenance of Plant	1,688,017	0	0	143,917	1,831,934
Pupil Transportation	1,250,913	0	0	51,537	1,302,450
Central	179,637	0	0	7,200	186,837
Operation of Non-Instructional Services:					
Food Service Operation	0	0	0	1,035,025	1,035,025
Community Services	0	0	0	99,093	99,093
Academic & Subject Oriented Activities	249,883	0	0	0	249,883
Extracurricular Activities	29,388	0	0	212,080	241,468
Capital Outlay	0	405,818	0	41,911	447,729
Debt Service:					
Principal Retirement	165,000	0	220,000	0	385,000
Interest and Fiscal Charges	98,091	0	54,400	0	152,491
Issuance Costs	0	65,739	0	0	65,739
Total Disbursements	19,083,918	471,557	281,387	3,936,530	23,773,392
Excess of Receipts Over (Under) Disbursements	(5,163)	(471,557)	17,358	(302,584)	(761,946)
Other Financing Sources (Uses)					
Certificate of Participation Proceeds	0	1,385,000	0	0	1,385,000
Premium on Certificate of Participation Proceeds	0	7,183	0	0	7,183
Advances In	275,165	0	0	443,047	718,212
Advances Out	(443,047)	0	0	(275,165)	(718,212)
Total Other Financing Sources (Uses)	(167,882)	1,392,183	0	167,882	1,392,183
Net Change in Fund Balances	(173,045)	920,626	17,358	(134,702)	630,237
Fund Balances Beginning of Year	2,304,800	0	564,731	465,806	3,335,337
Fund Balances End of Year	\$2,131,755	\$920,626	\$582,089	\$331,104	\$3,965,574

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, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$630,237
 <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>(888,899)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$258,662)</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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,860,969	\$2,670,468	\$2,670,468	\$0
Intergovernmental	14,676,246	15,225,232	15,225,232	0
Earnings on Investments	7,153	6,071	6,071	0
Tuition and Fees	766,205	733,445	733,445	0
Other	170,311	281,653	281,653	0
<i>Total Receipts</i>	<u>18,480,884</u>	<u>18,916,869</u>	<u>18,916,869</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	8,263,831	8,461,651	8,295,389	166,262
Special	2,844,419	2,897,322	2,875,102	22,220
Vocational	627,315	637,337	658,694	(21,357)
Other	5,387	5,387	10,587	(5,200)
Support Services:				
Pupil	991,445	997,129	958,930	38,199
Instructional Staff	282,710	394,979	399,701	(4,722)
Board of Education	85,027	85,739	87,383	(1,644)
Administration	1,615,689	1,769,263	1,768,530	733
Fiscal	373,743	373,744	349,575	24,169
Business	31,940	27,481	27,349	132
Operation and Maintenance of Plant	1,575,562	1,598,743	1,688,017	(89,274)
Pupil Transportation	1,281,536	1,227,073	1,250,916	(23,843)
Central	314,344	238,243	179,637	58,606
Operation of Non-Instructional Services:				
Academic & Subject Oriented Activities	238,669	238,489	249,883	(11,394)
Extracurricular Activities	34,087	36,872	28,429	8,443
Debt Service:				
Principal Retirement	160,000	160,000	165,000	(5,000)
Interest and Fiscal Charges	83,075	83,075	98,091	(15,016)
<i>Total Disbursements</i>	<u>18,808,779</u>	<u>19,232,527</u>	<u>19,091,213</u>	<u>141,314</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(327,895)</u>	<u>(315,658)</u>	<u>(174,344)</u>	<u>141,314</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	133,962	83,992	83,992	0
Transfers In	10,872	0	0	0
Transfers Out	0	(250)	(250)	0
Advances In	275,165	275,165	275,165	0
Advances Out	0	(443,046)	(443,046)	0
<i>Total Other Financing Sources (Uses)</i>	<u>419,999</u>	<u>(84,139)</u>	<u>(84,139)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	92,104	(399,797)	(258,483)	141,314
<i>Unencumbered Fund Balance Beginning of Year</i>	2,070,207	2,070,207	2,070,207	0
Prior Year Encumbrances Appropriated	176,530	176,530	176,530	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$2,338,841</u>	<u>\$1,846,940</u>	<u>\$1,988,254</u>	<u>\$141,314</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, 2015*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,092,610</u>
<i>Total Assets</i>	<u><u>\$1,092,610</u></u>
Net Position	
Restricted for:	
Claims	\$320,617
Unrestricted	<u>771,993</u>
<i>Total Net Position</i>	<u><u>\$1,092,610</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, 2015*

	Governmental Activity
	Internal Service
Operating Receipts	
Charges for Services	\$3,800,825
Other	6,421
<i>Total Operating Receipts</i>	3,807,246
Operating Disbursements	
Claims	4,322,323
Purchased Services	367,416
Other	6,406
<i>Total Operating Disbursements</i>	4,696,145
<i>Change in Net Position</i>	(888,899)
<i>Net Position Beginning of Year</i>	1,981,509
<i>Net Position End of Year</i>	\$1,092,610

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, 2015*

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$84,048</u>
<i>Total Assets</i>	<u><u>\$84,048</u></u>
Net Position	
Held on Behalf of Students	<u>\$84,048</u>
<i>Total Net Position</i>	<u><u>\$84,048</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 Joint Vocational School District, 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 Program. 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, 2015**

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, 2015**

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.

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

Building Fund The building fund receives debt proceeds which may only be used for capital related improvements for the School District's buildings and grounds.

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 School 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, 2015**

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, 2015 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, 2015**

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 2015 was \$6,071.

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 School District did not report restricted assets at June 30, 2015.

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.

Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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, 2015**

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, 2015**

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 – Accountability and Compliance

A. Accountability

For fiscal year 2015, the School District has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68”. GASB Statement Nos. 68 and 71 improve the recognition, measurement, and disclosures for state and local governments specific to pensions. The implementation of GASB Statement Nos. 68 and 71 did not have an effect on the financial statements of the School District.

B. 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The 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).

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, 2015 for the General 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.

	<u>General Fund</u>
Change in Fund Balance	(\$173,045)
Public School Support Fund	(38,643)
Encumbrances	<u>(46,795)</u>
Change in Fund Balance - Budgetary Basis	<u><u>(\$258,483)</u></u>

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:

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 5 – Deposits and Investments (Continued)

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or 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) 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 \$5,142,232 and \$4,906,709 of the School District's bank balance of \$5,156,709 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, 2015**

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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2015 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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$130,756,770	88.89%	\$138,058,550	89.51%
Public Utility Personal Property	16,341,410	11.11%	16,185,320	10.49%
Total	\$147,098,180	100.00%	\$154,243,870	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, 2015**

Note 7 - Interfund Advances

At June 30, 2015 the following advances were made:

	Advances From		
Advances To	General Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 275,165	\$ 275,165
Other Governmental Funds	443,047	-	443,047
Total	\$ 443,047	\$ 275,165	\$ 718,212

During the year, the General Fund advanced \$305,960 to the Lunchroom Fund, \$30,868 to Student Activities Funds, \$19,857 to Miscellaneous State Funds, \$5,692 to the Special Education Fund, \$25,627 to the Teacher Incentive Fund and \$55,043 to the Twenty-First Century Fund. These advances were not repaid during the year. Additionally, Other Governmental Funds repaid prior year advances totaling \$275,165 to the General Fund.

All advances were to cover costs in the funds where receipts were not received by June 30, 2015. 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 2015, 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 8 - Risk Management (Continued)

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 2015, the School District contracted with the Ohio School Plan for the following insurance coverage:

Type of Coverage	Deductible	Coverage
Property	\$1,000	\$69,155,869
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 fiscal 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.

Beginning in calendar year 2015, the School District became a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. SCOIC is a risk sharing, claims servicing, and insurance purchasing pool for medical, dental, and prescription drug coverage on a self-insured basis. SCOIC contracts with Employees Benefits Management Corporation (EBMC) to service the claims of SCOIC members. The SCOIC members are considered self-insured and pay a monthly premium that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participations, and in the event of a surplus, the internal pool pays a dividend to the participants.

SCOIC members participated in the shared risk pool through the Jefferson Health Plan from \$100,000 to \$500,000. SCOIC members were then covered under stop loss coverage for claims over \$500,000. In the event that the District would withdraw from SCOIC, the District would be required to give 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share any surplus funds of SCOIC. SCOIC will be staying with Jefferson Health Plan for stop-loss insurance through May 31, 2016

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 8 - Risk Management (Continued)

C. Employee Medical Benefits (Continued)

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, 2015 and 2014 are as follows:

	<u>Balance at June 30, 2015</u>	<u>Balance at June 30, 2014</u>
Cash and Cash Equivalents:	\$1,092,610	\$1,981,509
Claims Liability at June 30:	1,386,732	392,200

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 9 - Defined Benefit Pension Plans (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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).

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 9 - Defined Benefit Pension Plans (Continued)

For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$286,616 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service.

Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 9 - Defined Benefit Pension Plans (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contributions to STRS were \$1,029,492 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$3,523,833	\$17,536,352	\$21,060,185
Proportion of the Net Pension			
Liability	0.069628%	0.07209645%	

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 9 - Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 9 - Defined Benefit Pension Plans (Continued)

Asset Class	Target		Long Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,027,463	\$3,523,833	\$2,259,151

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 9 - Defined Benefit Pension Plans (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$25,105,199	\$17,536,352	\$11,135,654

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$76,235, and \$70,715 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS’ participation in Medicare programs. 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 10 - Postemployment Benefits (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$49,397.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$52,441, \$42,577, and \$34,551, respectively.

Note 11 - Debt

The changes in the School District's long-term debt during fiscal year 2015 were as follows:

	Outstanding June 30, 2014	Additions	Deletions	Outstanding June 30, 2015	Due Within One Year
Governmental Activities					
2008 General Obligation					
Refunding Bonds - 4% - 4.4%	\$1,649,996	\$0	(\$220,000)	\$1,429,996	\$230,000
2012 Certificate of Participation					
Lease - 6.5%	2,530,000	0	(165,000)	2,365,000	170,000
2014 Certificate of Participation					
Lease - 1% - 3.5%	0	1,385,000	0	1,385,000	105,000
Total	\$4,179,996	\$1,385,000	(\$385,000)	\$5,179,996	\$505,000

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.

2014 Certificates of Participation Lease Purchase Financing Agreement: On November 4, 2014, the School District entered into a lease financing purchase agreement totaling \$1,385,000 for the purpose of financing certain building improvements consisting of improvements to the School District's facilities. The lease purchase agreement is being retired from the General Fund from an unvoted tax levy.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 11 – Debt (Continued)

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			2012 - Certification of Participation		
	Principal	Interest	Total	Principal	Interest	Total
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	94,773	191,027	285,800	185,000	56,675	241,675
2021-2025	355,223	200,977	556,200	1,025,000	187,225	1,212,225
2026-2027	0	0	0	460,000	18,600	478,600
Total	\$1,429,996	\$515,604	\$1,945,600	\$2,365,000	\$541,038	\$2,906,038

Fiscal Year Ended June 30:	2014 - Certification of Participation		
	Principal	Interest	Total
2016	\$105,000	\$34,150	\$139,150
2017	105,000	30,718	135,718
2018	105,000	29,458	134,458
2019	110,000	28,198	138,198
2020	110,000	26,218	136,218
2021-2025	590,000	95,332	685,332
2026-2027	260,000	13,650	273,650
Total	\$1,385,000	\$257,724	\$1,642,724

Note 12 – Leases

The School District entered into a three year lease-purchase financing agreement 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 on September 15, 2015. The School District General and the IDEA Part B 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:

Fiscal Year Ended June 30:	Apple Computer Equipment		
	Principal	Interest	Total
2016	\$50,717	\$5,134	\$55,851
2017	52,747	3,104	55,851
2018	54,276	1,574	55,850
Total	\$157,740	\$9,812	\$167,552

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2014	\$0	\$695,166
Current Year Set-aside Requirement	309,089	0
Offsets	(123,233)	0
Qualifying Disbursements	(316,844)	0
Total	(\$130,988)	\$695,166
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	\$695,166
Set-aside Balance as of June 30, 2015	\$0	\$0

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 2015.

Note 14 – Significant Commitments

Contractual Commitments

The School District had the following significant contractual commitment at June 30, 2015:

Project	Contractor	Contract Amount	Amount Disbursed at June 30, 2015	Balance at June 30, 2015
2014 Roof Replacement	Hicks Roofing	\$286,189	(\$257,570)	\$28,619
Roof Replacement Services	Mays Consulting	119,300	(95,440)	23,860

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 14 – Significant Commitments (Continued)

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 fiscal 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	\$	46,795
Building		40,578
Other Governmental Funds		133,132
Total	\$	220,505

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.

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. Southeast 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 16 - Jointly Governed Organizations (Continued)

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 2015.

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 did not contribute during the fiscal year. Financial information may be obtained by writing to the Treasurer of SEOVEC at 221 North Columbus Road, Athens, Ohio 45710.

D. Tri-County Joint Vocational School District

The Tri-County Joint Vocational School District 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.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Note 17 – Public Entity Risk Pools (Continued)

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 fiscal year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 18 – Subsequent Events

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

On January 14, 2016, the Board of Education authorized lease-purchase financing for stadium bleachers, lighting, a concession stand, press box and surrounding fencing at an estimated cost not to exceed \$830,000.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>		<u>2013</u>
School District's Proportion of the Net Pension Liability	0.069628%		0.069628%
School District's Proportionate Share of the Net Pension Liability	\$ 3,523,833	\$	4,140,554
School District's Covered-Employee Payroll	\$ 2,022,260	\$	2,635,168
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.25%		157.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%		65.52%

(1) Information prior to 2013 is not available.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	2014	2013
School District's Proportion of the Net Pension Liability	0.07209645%	0.07209645%
School District's Proportionate Share of the Net Pension Liability	\$ 17,536,352	\$ 20,889,187
School District's Covered-Employee Payroll	\$ 7,623,498	\$ 7,071,536
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	230.03%	295.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST EIGHT FISCAL YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 286,616	\$ 283,116	\$ 345,207
Contributions in Relation to the Contractually Required Contribution	<u>(286,616)</u>	<u>(283,116)</u>	<u>(345,207)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$ 2,174,629	\$ 2,022,260	\$ 2,635,168
Contributions as a Percentage of Covered-Employee Payroll	13.18%	14.00%	13.10%

(1) Information prior to 2008 is not available

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 372,374	\$ 246,822	\$ 292,731	\$ 310,476	\$ 302,421
<u>(372,374)</u>	<u>(246,822)</u>	<u>(292,731)</u>	<u>(310,476)</u>	<u>(302,421)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,768,580	\$1,963,580	\$2,161,972	\$3,155,244	\$3,079,644
13.45%	12.57%	13.54%	9.84%	9.82%

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 1,029,492	\$ 991,055	\$ 919,300	\$ 857,771
Contributions in Relation to the Contractually Required Contribution	<u>(1,029,492)</u>	<u>(991,055)</u>	<u>(919,300)</u>	<u>(857,771)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$ 7,353,515	\$ 7,623,498	\$ 7,071,536	\$ 6,598,238
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$ 1,012,495	\$ 1,040,455	\$ 1,073,640	\$ 1,048,640	\$ 1,040,544	\$ 993,192
<u>(1,012,495)</u>	<u>(1,040,455)</u>	<u>(1,073,640)</u>	<u>(1,048,640)</u>	<u>(1,040,544)</u>	<u>(993,192)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$ 7,788,423	\$ 8,003,500	\$ 8,258,769	\$ 8,066,462	\$ 8,004,185	\$ 7,639,938
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. School Employees Retirement System (SERS) of Ohio

Change in Benefit Terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in Assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in the calculations.

B. State Teachers Retirement System (STRS) of Ohio

Change in Benefit Terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in Assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in the calculations.

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<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	2014/2015	10.553	\$9,789	\$9,789
National School Lunch Program	2014/2015	10.555	55,470	55,470
Non-Cash Assistance Subtotal			<u>65,259</u>	<u>65,259</u>
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	230,379	230,379
National School Lunch Program	2014/2015	10.555	432,278	432,278
Summer Food Service Program for Children	2014/2015	10.559	41,608	41,608
Cash Assistance Subtotal			<u>704,265</u>	<u>704,265</u>
Total Child Nutrition Cluster			<u>769,524</u>	<u>769,524</u>
Total U.S. Department of Agriculture			769,524	769,524
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014 2015	84.010	95,893 <u>688,545</u>	87,544 <u>689,153</u>
Total Title I Grants to Local Educational Agencies			784,438	776,697
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA Part B)	2014 2015	84.027	44,797 <u>410,668</u>	39,614 <u>411,177</u>
Special Education, Grants to States, (IDEA Part B), Subtotal			455,465	450,791
Special Education Preschool Grants	2015	84.173	<u>6,127</u>	<u>6,127</u>
Total Special Education Cluster (IDEA)			461,592	456,918
Twenty-First Century Community Learning Centers	2014 2015	84.287	80,568 <u>340,904</u>	79,378 <u>344,957</u>
Total Twenty-First Century Community Learning Centers			421,472	424,335
Rural Education	2015	84.358	13,065	13,065
Improving Teacher Quality State Grants	2014 2015	84.367	11,659 <u>104,049</u>	11,659 <u>104,137</u>
Total Improving Teacher Quality State Grants			115,708	115,796
Teacher Incentive Fund	2014 2015	84.374	153,667 <u>264,017</u>	130,215 <u>275,103</u>
Total Teacher Incentive Fund			417,684	405,318
ARRA - Race-to-the-Top Incentive Grants, Recovery Act:				
Race to the Top	2014	84.395	444	353
FAMS Grant MS	2014		15,980	2,770
Ohio Advanced Placement Network	2014		146	0
Additional OAC Funding	2014		11,625	11,625
Race to the Top	2015		<u>21,825</u>	<u>21,825</u>
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			50,020	36,573
Total U.S. Department of Education			<u>2,263,979</u>	<u>2,228,702</u>
Total Federal Awards Receipts and Expenditures			<u>\$3,033,503</u>	<u>\$2,998,226</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, 2015**

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.



Dave Yost • Auditor of State

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

New Lexington City School District
Perry County
2549 Panther Drive
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, 2015, 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 March 24, 2016, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the School District adopted Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 2015-001.

School District's Response to Finding

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 them.

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

March 24, 2016



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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
2549 Panther Drive
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, 2015. 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, 2015.

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 over 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

March 24, 2016

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Educational Agencies – CFDA # 84.010. • Twenty-First Century Community Learning Centers – CFDA #84.287 • Teacher Incentive Fund – CFDA #84.374 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**NEW LEXINGTON CITY SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015
(Continued)**

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

FINDING NUMBER 2015-001

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.

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.

The School District should 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
OMB CIRCULAR A-133 § .315(b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	A noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected. This Finding is repeated in the accompanying Schedule of Findings as Finding Number 2015-001.

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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
APRIL 12, 2016**